
*From Socialism to Capitalism*, originally published in Hungarian in 2007 as *Szocializmus, kapitalizmus, demokrácia és rendszerváltás*, is a collection of eight studies, written between 1990 and 2007, conceived as a reflection on the debates that arose with regard to the “end of the post-communist transition” in East Central Europe. János Kornai acquired international acclaim as an early critic of state socialism, whose works, most notably *Economics of Shortage* (1980) and *The Socialist System* (1988), provided a novel theoretical framework for the analysis of the socialist economy and spawned new concepts that contributed to the understanding of economic planning in general. As an active participant and a meticulous analyst of the subsequent reform programs both under and after the collapse of state socialism in Hungary, twenty years into the post-communist transition in Eastern Europe, Kornai remains singularly well positioned to respond to another set of questions regarding the meaning and consequences of transition, and the lessons to be derived from this unique process in the political and intellectual arena.

Two major themes constitute the intellectual agenda of this ambitious volume. The first self-stated objective is to provide a “dispassionate, professional analysis” of the achievements of post-communist transformation, a discussion that was most recently triggered by the political upheavals in Hungary during 2006 and 2007, when the country took a rather sharp economic downturn after being extolled as the star performer of East-European transition during most of the previous decade (ix). The second theme, which is only explicitly addressed in the last two articles but appears as a red thread throughout the volume, is an attempt to address the questions raised by many students of the region now that “transition” has moved out of the limelight of international academia: What, if anything, are the lessons from the study of post-communist transformation that remain relevant for the broader theoretical toolbox of the social sciences?

Kornai is fully aware of the weight of political tensions surrounding the “end of transition”—disappointment with the achievements of democracy and capitalism, lingering nostalgia for those elements of socialism that stood for relative economic and social security, as well as disaffection with political elites and their real or perceived mismanagement of the economy and society. This is precisely why he is at pains to “set the conceptual apparatus in order,” or in other words, to distinguish the analytical categories pertaining to the “positive assessment” of transition from the “normative” evaluation (124). For this purpose, Kornai intentionally chooses a very narrow definition of both socialism and capitalism, where socialism is an economic system characterized by public ownership, bureaucratic coordination of the economy, and a political monopoly of a Marxist-Leninist Communist party, i.e., “party whose ideology is inimical to capitalism” (126). By contrast, capitalism stands for predominantly private ownership, market coordination of the economy, and the dominance of political powers not adverse to capitalism. Democracy is not necessary for this arrangement, however, by a “stroke of historical luck” (132) economic and political transformations have occurred parallel in Eastern Europe and the criteria used for the “positive” assessment of the latter is that of Schumpeter’s procedural definition of democracy, which is also distinctly narrow.

Although restricted by these definitions, the task is nevertheless daunting. Kornai uses the first four articles in the volume to rehearse his arguments about the “irreformability” of the socialist system as long as all three basic tenets are in place (due to the strong linkages between the three which render “combinations” of socialist and capitalist features impossible in his assessment): the failures and instability of reform socialism, the non-viability of “third forms”
(i.e., “market socialism”), and the enormous policy challenges that presented themselves in the course of transition. Thus, drawing solely on the “necessary” conditions for transformation, he is able to conclude that the process has been exceptionally successful, given that it also happened relatively swiftly and with very little violence as compared to other “great transformations” in history.

This is not to say that Kornai is oblivious to the fact that by the “change of system” those disillusioned people on the ground usually mean more than the replacement of the basic tenets of the economy.1 However, by relegating them into the “normative” wish list or “auxiliary” set of conditions for a successful transition to capitalism, he hopes to focus the discussion and thus identify the source of discontents more clearly, i.e., effects of the transformational recession, unrealistic expectations, idealized comparisons, even flawed policies, but not always or necessarily the systemic characteristics of capitalism. To that effect, in the chapter on “The Great Transformation of Central Eastern Europe,” which is probably the most controversial and also the most interesting one in this volume, he also offers his own “normative” standpoint—by converting to capitalism and democracy, the countries of East Central Europe have returned to the “main directions of development of Western civilization” and thus “in the long run, the economic advantages of capitalism will also become manifest in Central Eastern European region” (92). One is free to disagree with Kornai on this point. Nevertheless, there is something to be said for redirecting the discussion from the ills of “incomplete” or “flawed” transition to the systemic effects of capitalism, or rather the kinds of capitalism that arose in East Central Europe. To what extent, then, does this particular understanding of socialism, capitalism, and transition provide theoretical tools for the wider study of political economy?

Kornai’s response to this second item on the book’s agenda is somewhat more ambivalent. The final chapter of the book is dedicated to outlining “the system paradigm,” an approach to understanding economic processes which stands at odds with the strict disciplinary divisions in the social sciences and, particularly, with the partial formal models that tend to be employed by contemporary economics. This systemic approach is concerned with the socioeconomic organism as a whole, including the way it relates to its particular subsystems, and is thus interdisciplinary by necessity but also heavily focused on structures and institutions and not on more ephemeral events and processes. As a “broad brush” it cannot always account for minor fluctuations of the systems, but is all the more relevant for understanding larger transformations, for which it relies on broad historical comparisons. For Kornai, it was precisely the transition from communism to capitalism which confirmed the necessity of such an approach to complement standard economics, given the enormous and simultaneous transformation of the entire system.

While the proposal of “system paradigm” can be welcomed, especially in the realm of neoclassical economics, like his discussion of the “success” of transition it raises more questions than it

1) The following quote is particularly illustrative: “I keep two accounts, not one, and I do not merge them. On one account, I gladly acknowledge great success on a level of world history: the system created is superior to the old and has arisen without bloodshed, at incredible speed. On the other account, I have the list of good and bad experiences in everyday life: much joy and much pain...[however]...I do not believe it to be possible, or for that matter permissible, to compile some kind of balance sheet on which to base a summary, comprehensive value judgement” (119).