Marx after Kornai

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Abstract
Janos Kornai chose to become an economist after reading Karl Marx’s Das Kapital. Kornai’s relation with Marx is not merely political, but also professional. Kornai “broke with Marxism” in 1956, but his relationship with Marx’s thoughts were not severed then. Kornai’s post-1956 works can be examined in the light of Marx’s ideas, dealing particularly with equity, freedom and the relation between theory and practice. Some of Marx’s own theses can be enriched interestingly by taking note of Kornai’s later writings.

Keywords Kornai · Marx · Equity · Freedom · Economic theory · Economic systems

JEL Classification B24 · B51 · I3 · P2

1 Introduction
Janos Kornai chose to become an economist after reading Karl Marx’s Das Kapital. Kornai’s relation with Marx is not merely political, but also professional. Kornai was a Marxist for a long time, and he also was an active member of the Communist Party of Hungary. All this came to an end in November 1956, when Kornai told “emphatically to the district party secretary” that he was no longer a communist and had “broken with Marxism” (Kornai 2020).

Since Marxism has some features of a cult, leaving Marxism is, in many ways, much simpler than leaving Marx. This essay is about Marx—seen in the light of Kornai’s ideas and concerns. The emerging Kornai, after he had broken with Marxism, clearly had a number of new concerns, which he went on to cultivate and develop, but he also pursued ideas that he already had started entertaining before the break. He had found, for example, the operation of the economic systems in Communist East Europe, including Hungary, even before 1956, to be “over-centralized”, which he wanted to change. His monograph Overcentralisation in Economic Administration (Kornai [1957] 1959) was full of original ideas, including his interest in the ways incentives and obligations operate.

If that was Kornai, what about Marx? How much of Marx was Kornai abandoning in 1956? In a critical examination of the kind that I am aiming at, it is not frivolous to question

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whether some of the ideas associated with Marx really were integral parts of Marx’s belief system. Marx’s ideas can, of course, be scrutinized from many different perspectives. The perspective I am going to use is that of Kornai, and what I am hoping to present here is an understanding of Marx in the light of Kornai’s concerns.

2 Kornai’s distinctiveness

I begin with some remarks on Kornai’s own work. Among the great economists of our time, Janos Kornai is particularly distinguished. We can immediately note three distinctions—among many. First, Kornai has been astonishingly proficient in both economic theory and economic practice. He transformed important aspects of mainstream economic theory (while remaining faithful to the chosen task of that theory), but also developed innovative departures in economic practice, to make them more fruitful for real-world application.

For instance, while the critique of neoclassical economics in his book Anthe title he chose fort-Equilibrium (Kornai 1971) is a remarkable example of high theory, his constructive proposals for changing the actual functioning of socialist economies in such works as Overcentralization in Economic Administration (Kornai [1957] 1959), Economics of Shortage (Kornai 1980) and The Socialist System (Kornai 1992) present carefully considered plans for altering economic practice. In his pioneering joint work with Tamas Liptak on “two-level planning” (Kornai and Lipták 1965), both aspects of Kornai’s creativity are brought into use.

A second feature of Kornai’s work on which I want to comment is his commitment to equity, which he never abandoned even when his immediate concern was with the pursuit of efficiency of economic systems. In his recent article called “1956 in Hungary: as I Saw It Then and as I See It Now”, Kornai comments on his unshakable concern with equity even when the immediate focus of his work is on the sacrifice of efficiency in bureaucratic arrangements embedded in socialist rules:

I know how much injustice and inordinate income-inequality is born of capitalism. The institutions of democracy are unable to prevent the abuse of power and corruption, albeit to different degrees in different countries.

A deep-seated involvement with both equity and efficiency has a large presence in Kornai’s writings. Even when Kornai’s economic analysis is strongly influenced by his diagnosis of inefficiency, particularly through the neglect of incentives in the prevailing institutional arrangements of socialist planning, what he proposes as an alternative does not have the one-sided quality of efficiency-worship that has become so common in contemporary economics, by ignoring equity and justice. Kornai has resisted falling for the temptation of overlooking the complex value of equity, faced with the difficulty of accommodating it (as many other economists, from Gerard Debreu to Milton Friedman, have done).

Third, Kornai has had a deep commitment to safeguarding human freedom—indeed to expanding it—as a social objective. In his economic analysis, freedom has had an important place in the political values and normative principles to which he has remained loyal. Kornai may or may not remember that I had argued with him (at Harvard), nearly 30 years ago, against the title he chose for his Kornai (1990) book, called The Road to a Free Economy. I did not, of course, have any problem with focusing on freedom (my Sen 1999 book Development as Freedom, came out not long after that), but I had wondered whether his
chosen title—with freedom linked to an economy rather than to the persons in a society—might make the reader expect some kind of a deeply conservative institutional structure—in the way that Friedrich Hayek proposed in his similarly named book, *The Road to Serfdom* (Hayek 1944).

I was not successful in persuading my friend Janos about the title, who stuck to the name he had chosen for the new book. That worked out just fine. Even though the title of the book proved to be unamendable, as far as the contents of the book were concerned, Kornai made it clear that it is the freedom of human beings, rather than that of an economy, with which he ultimately was concerned.

3 Karl Marx

I turn now to Marx. There is need for carefully examining his priorities. Compared with Marx’s extensive economic analysis—involving ownership of means of production, exploitation, surplus value, the pool of unemployed labor, falling rate of profit, poverty and inequality, and so on—Marx’s analysis of political organization seems oddly rudimentary. It is hard to think of a more approximate bit of theorizing than the idea of “the dictatorship of the proletariat”, with underspecified characterization of what its demands should be, and very little description of the way the political arrangements under the dictatorship of proletariat are supposed to work.

When the Soviet tanks rolled into Hungary on November 4, 1956, something clearly was going wrong, which deeply “troubled” Kornai (who was still a member of Communist Party). It is not that the Soviet move was in any sense “Marxist” (Marx had not said anything in favor of a brutal intervention of that kind), but the invasion—and other things going on in Eastern Europe—indicated a serious gap in Marx’s analysis of political organization and democratic practice, which demanded much greater scrutiny than Marx had seemed willing to give.

If democracy demands the restraining force of different pressure groups over each other (what John Kenneth Galbraith 1952 called “countervailing power”), there is very little in Marx’s writings to indicate that the subject interested him at all. It would not be fair to blame Marx for the authoritarian practices of the communist regimes that emerged (including in Kornai’s Hungary), since he had not devised them (nor recommended their use), but surely he should have had reason to appreciate that his reluctance to talk about how power is to be distributed or exercised in a post-revolution society must leave gaps that can be filled dangerously with authoritarian abuse. The constructive role of oppositional politics seemed to escape Marx rather comprehensively. The lack of individual liberties and freedoms that has been a persistent problem in regimes with Marxist credentials cannot be seen as entirely accidental.

4 Marxian “gaps”

If there is a clear hiatus here between what Kornai had reason to want and what Marx had offered, are there other such gaps? One subject to consider surely must be the problem of incentives, which is so important in Kornai’s work. Was Marx ever concerned about incentives? Here, I believe, the answer is yes. In fact, Marx’s worry about what kind of
transformations of society can or cannot be achieved did turn radically on his concern about incentive compatibility.

Consider Marx’s last substantial contribution, the *Critique of the Gotha Program* (Marx [1875] 1994). In this monograph, Marx presents his sharp criticism of the revolutionary manifesto of the Gotha Program of the Social Democratic Party of German Workers. Among its other assertions, the German Workers Party had noted that the means of production were common property of the society and all of the products generated belong to all the members of the society. Furthermore, in its commitment to eliminate exploitation, the Gotha Program asserted that labor had the right to get all of the “undiminished proceeds of labour”.

Marx saw an immediate contradiction here, and argued that the combination of the principles favored by the Gotha Program makes no sense whatsoever:

“[it] … presupposes a society wherein ‘the instruments of labour are common property and the total labour is co-operatively regulated’, and from the first paragraph we learn that ‘the proceeds of labour belong undiminished with equal right to all members of society’. ‘To all members of society’? To those who do not work as well? What remains then of the ‘undiminished proceeds of labour’? Only to those members of society who work? What remains then of the ‘equal right’ of all members of society?” (Marx [1875] 1994, p XX)

There is, Marx argues, a need to answer the question—how much should be distributed according to the labor contributed by the workers, and how much to all members of the society since they jointly own all instruments of labour” as “common property”? But then, would the workers have the incentive to work if the national output were to be distributed among all on the ground that “the proceeds of labour belong undiminished with equal right to all members of society”?

That is surely an incentive problem, but Marx does not stop there. Going further, he points out the existence of a more far-reaching conflict to be faced by the revolutionaries. This additional conflict arises from the fact that the productivity of people need not be congruent with their needs, and yet for the pursuit of social justice, the fulfilment of the needs of people must be important—something to which a socialist system must pay attention. If, following the “labor principle,” which the Gotha Program was championing, everyone got the “undiminished proceeds of labour,” people’s incomes would not match their needs at all. The Gotha Program seems to overlook, Marx points out, that the “labor principle” sharply conflicts with the “needs principle”. By recommending the labor principle - and ignoring people’s needs—the misguided Gotha Program saw human beings “only as workers”—“everything else is forgotten.”

That certainly is a source of a persistent conflict, and its resolution would demand a lot of re-examination and critical analysis. Marx clearly favored the needs principle—on ethical grounds—but could it be used in practice? Given the importance of “incentive compatibility” (to which Marx gives explicit recognition), he saw little hope that people would continue to work efficiently if the wages and salaries they received did not relate to the work they did or the productivity they generated. So, despite his fondness for the needs’ principle, Marx relegates his favorite idea “from each according to his ability to each according to his needs” to some indefinite future, when people would cease to be self-centered—at some “final stage of communism”.

Incentives obviously are important in Marx’s thinking, even though Marx’s analysis of incentive compatibility is much less refined than it is in modern economics, and particularly in Kornai’s analysis. To integrate Marx’s priorities into an institutional analysis,
Kornai would have had to take on further work, and yet there was no irresistible reason for the author of *Overcentralization* and *The Shortage Economy* to abandon Marx’s company on some feared ground that Marx ignored the role of incentives (which Marx clearly did not).

### 5 Freedom

What about freedom? And Kornai’s focus on *The Road to a Free Economy*? There is a difficult issue of judgment here, quite unlike Marx’s clear neglect of oppositional politics (discussed earlier) and his clear involvement with incentive compatibility (also discussed earlier). Marx is deeply interested in the importance of human freedom, though he does not integrate that interest with institutional analyses of incorporating freedom in the way an economy and a society work.

In the plurality of values that interested Marx, freedom clearly had a significant place, and he went well beyond the conflict between the labor principle and the needs principle, identified in the *Critique of the Gotha Program*. The focus of his work in moral philosophy (Marx was trained as a philosopher, as was Kornai in his early academic years) had made him interested—many years before he wrote the *Critique of the Gotha Program*—in giving a foundational role to human freedom, and in particular to bringing “the conditions for the free development and activity of individuals under their own control”.

Going well beyond justly rewarding labor and appropriately fulfilling needs (and the conflicts between the two), Marx wanted to move towards guaranteeing freedom in the life of all individuals. The importance of giving that priority to individual freedom is a theme to which Marx persistently returned—even though it must have been fantastically difficult to relate Marx’s championing of freedom to what actually was happening in the authoritarian Soviet Union and East Europe when Kornai was occupied with making sense of the economic and political systems surrounding him in Hungary.

Marx’s vision of “a liberated society”, as outlined, for example, in *The German Ideology*, gave the state and the society the exacting task of making sure that it is:

> Possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have in mind, without ever becoming hunter, fisherman, shepherd or critic. (Marx and Engels ([1845–1846] 1947, p. 2)

While Marx’s urban middle-class origins easily may be detected in his somewhat eccentric belief that evening is a splendid time to rear cattle (he was obviously on more familiar ground with “criticize after dinner”), the placing of this general perspective of freedom in Marx’s approach to economics, politics and society was altogether foundational.

Clearly, Marx did not neglect the importance of freedom and there was no impasse between Marx and Kornai on this subject. However, once again, Marx provides very little analysis of how freedom in the sense he wants to guarantee it, can be pursued in an economic, social and political framework that actually can be instituted. That work needed to be done, and Kornai, had he stuck to Marx (if not to Marxism), would have had his work cut out for him. Whether he wanted to pursue that work, or not, it is clear that Kornai would not have found a fundamental reason to move away from Marx on the particular grounds that Marx did not take freedom seriously enough (since he clearly did).
To conclude, Marx was a capacious theorist and Kornai is an innovative and powerful thinker. The overlap between their ideas makes it easy to imagine how Kornai could have developed Marx’s ideas more fully. That would have been both worthwhile and fun. However, it is plausible to believe that Kornai has been having at least as much fun in what he has actually been doing. And in the process, here too, he has been vastly enriching the world of ideas and understanding. Kornai could not have gone wrong with either choice.

References


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