

B. Hámori, M. Rosta, (Eds.), 2016. *Constraints and driving forces in economic systems – studies in honour of János Kornai*, Cambridge: Cambridge Scholars Publishing, 220: ISBN 978-1-4438-8539-3

Applying and expanding the framework of Kornai

If you try to find a collection of research papers in today's macroeconomics that can be overwhelmingly called "*Kornaist*": look no further, sound advice which could have been printed on the cover of the booklet *Constraints and Driving Forces in Economic Systems – Studies in Honour of János Kornai*. The volume edited by Balázs Hámori and Miklós Rosta published by the Cambridge Scholars Publishing is dedicated to the investigation and application of the basic notions of Kornai's life's work (primarily those of innovation, soft budget constraints and market versus bureaucratic coordination) and thus expanding its methodological and interpretative framework which can serve as an alternative (or, at least, supplementary) tool for economic research.

One of the main questions regarding Kornai's work is whether his thoughts can be regarded as an empirically driven critical theory of the neoclassical school or more like a separate school of economics. Writing about the Economics of Shortage and emphasizing the critique provided by Kornai on the Walrisian school of thought or the general equilibrium theory, John B. Hall (1983, p. 1165) states that "a question his book raises is whether his work, which is largely descriptive, can be regarded as a theory, generally, and of centrally planned economies, specifically". Moreover, he identifies a general "lack of formalization and completion of a mathematical system" in the book which pre-

vents Kornai from becoming a distinct theory. In contrast, David Stark and Victor Nee (1989, p. 11) argue that his "contribution to economics and the social sciences more generally has been to demonstrate that a rejection of the modernist assumption of neoclassical economics does not mean that the analyst cannot construct a powerful explanatory model – one, moreover, with a high degree of formalization".

The authors of *Constraints and Driving Forces in Economic Systems* seemingly accepted the latter opinion and implicitly tried to prove the existence of a separate Kornaist school of thought by applying its main themes and topics to various policy areas. This main goal of the editors was unquestionably achieved, although (due to this set of aims) critical thoughts on Kornai's lifework were rather neglected, which would have enriched the booklet further (see for example Gomulka, 1985).

Nonetheless the endeavour of the authors resulted in a quite complex and far-reaching collection of studies published in a single volume. The structure of the book consists of two parts – preceded by the introductory thoughts of Balázs Hámori and László Csaba, the first five parts investigate one of the key themes of Kornai, namely the nature of and the sufficiency of conditions for innovation. Karen N. Eggleston analyses the concept in the framework of health care systems, building also on the literature on shortage symptoms (empha-

sized by Kornai too), concluding in the description of the “innovation conundrum” in health and medical care and its main dilemmas: “should all innovations that improve the quality of life, or extend life (for even a day), or both, be made available to all, regardless of cost? (...) The irony seems profound: Is the good or service that we value most – health and longevity – ironically the one where we cannot enjoy the surplus economy of capitalism?” (Eggleston, 2016, pp. 19-21). The article of Gérard Roland aims at revealing the root causes of a solid observation of Kornai, namely the lack of innovation in socialist economic systems. In the framework of Roland, it is not necessarily capitalism or socialism, but rather differences between individualist and collectivist cultures that create incentives and conditions for innovation. The third study written by Balázs Hámori and Katalin Szabó outlines the basic attributes and commonalities of two new forms of innovation – crowdsourcing and reverse innovation. The underlying theoretical foundation – perfectly in line with the philosophical stance of the comparative methodological approach of Kornai – is quite intriguing: “knowledge is a network phenomenon” (Hámori & Szabó, 2016, p. 53), while innovation should be seen as “socially embedded; it bears the marks of the socio-economic system in which it is realized” (Hámori & Szabó, 2016, p. 51). The fourth and fifth analyses which conclude the first part of the book have a strong historical approach to the lifework of Kornai – Péter Mihályi elaborates on the reception and the profound effect of his book published in 1971 entitled *Anti-Equilibrium*, while Gábor Klaniczay investigates the model of the “Institute for Advanced Studies” and delivers an overview of comparable research centres in Europe and Hungary, putting most emphasis on the Collegium

Budapest (established in 1993). Without touching on the issue directly the studies of Mihályi and Klaniczay are the best examples of why one cannot take the social context out of economics and, in general, scientific work.

The second part of the book comprises four studies, each focusing on the issues of soft budget constraint and over-centralization as either driving or constraining forces in economic systems. These are the pieces which maybe show the closest affinity with the most famous concepts of Kornai (Lindbeck, 2007, p. 4). Dóra Györffy provides an alternative explanation for the outbreak of the Greek crisis and (more importantly) the failure of the different packages to help the country out of recession. In her view using the notion of soft budget constraints is not just capable of explaining the crisis but also provides the common ground to comply with different interpretations. András Simonovits investigates a common topic of Kornai (paternalism) with an unusual setting (pension system). While Simonovits concludes with the expected critique of paternalism as an ineffective notion, he also points out the inevitability of mandatory pension systems. The last two studies of the second part – and the book as well – also go in hand in hand as they both try to apply the theories of Kornai and comparative economics on Hungarian reform plans. Miklós Rosta investigates the similarities and differences between the expectations of the new public management framework and the Hungarian administration reform called *Magyar Program*, while Eszter Rékasi researches whether the transformation of higher education in recent years affects positive and negative incentives among the different actors in the field. They both point out that whereas not all elements of the reform plans have the same effect, they

usually strengthen centralized institutions and bypass market coordination.

While many of the articles go no further than applying notions and methods developed or used by Kornai, the actual importance of the volume for students, teachers and academia as a whole is much more substantial. By implementing the basic theoretical ideas in empirical research of different policies and systems the authors contribute to the continuation and actual expansion of the *Kornian* research programme (in the Lakatosian sense). While the structure of the ideas of the Hungarian economic thinker do not constitute a separate school which can replace the neoclassical mainstream, it surely provides a distinct framework for analysis. Its comparative approach and the ability to interpret social and cultural differences in economic and policy systems make it highly valuable for researchers eager to understand the driving forces and constraints of different nations. Such set of tools is and going to be necessary to answer the basic questions of our times – what policies should the West pursue after the economic crisis? How can we predict the course of the Chinese economic growth in the long run? What methods are available for least developed countries to pursue to eliminate political obstacles in the way of sustainable and organic growth? How can the tensions created in the intersection of politics, economics, institutions as well as the social and cultural environment be best described? The framework inspired by Kornai and presented by the book is an efficient way to conceptualize such questions.

Paradoxically the main strength and weakness of the book is the same – the diversity of topics, writing styles and structures. While the wide range of theories, notions and policy areas analysed throughout the volume proves the rich

depth of Kornai's lifework and the authors' academic skills, the different methodological and "structural" styles of the writing can harm the reader's experience. Whereas for example the studies of Rosta, Rékasi or Gyórfy present academic studies with a thorough analytical framework and clear scientific goals, other pieces (especially that of Mihályi or Klaniczay) belong more to the genre of the scientific essay using traditional methods to present the life, work and importance of Kornai. Needless to say all papers are mature, well thought-out and rich examples of their kind, but the "kinds" themselves are quite different.

On the other hand, the different tones, themes and methodologies widen the range for potential readers of the volume. While the number of researchers who will be able to use all studies presented in the booklet would be quite low – it would probably include only those who invest in the research of Kornai's legacy – the colourful heterogeneity provided by the contributors makes it easy to relate to one or another essay. The long list of topics and policy areas covered in the papers – health care, pension systems, public administration, higher education, innovation, the effect of cultural differences on economic systems, the advantages of comparative economics, etc. – makes the book (or at least parts of it) valuable and useful for numerous research programmes, doctoral dissertations and academic courses.

The global political and economic system is undeniably in a state of constant and rapid change and fluctuation – social and economic sciences, therefore, have to change with in order to comprehend the transformation and to be able to satisfy the need of society to understand what is going on. As the traditional mainstream theories of other disciplines (e.g. international relations, political science) created during the 20th century are no longer suf-

ficient to provide a thorough interpretative framework for analysis in the 21st century, neoclassical economics also has to be more adaptive and to allow alternative research programmes. (International) political economy, comparative economics and more specifically the lifework of Kornai can provide the basis for such *innovation* within the global academic community. This book tries to take a step towards this goal with nine studies written on the basic notions of *Kornaism*, contributing to the evolution in applied economic theory in order to shed light on the importance of incorporating new and half-forgotten scientific advancements.

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