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MARX THROUGH THE EYES OF AN EAST EUROPEAN INTELLECTUAL

Kanagawa University, Yokohama, December 6, 2008.

Introduction¹

I am afraid all that can be said of Karl Marx has already been written. Thousands of papers and studies and hundreds of books have appeared, covering a range from rapturous appreciation through objective analysis to furious hatred. What I can add to this great body of literature is the *specific vantage point* from which I view Marx's work. I am Hungarian, an East European, born in 1928, on the brink of adulthood as the Second World War ended. Deep impressions were made on my thinking by great historical events: the war in my country, the Holocaust, liberation from Nazi rule, the arrival of the communist party and its socialist system, the 1956 Hungarian Revolution and its defeat, restoration of the socialist system, experiments in the 1960s with market socialism and socialism with a human face and the failure of these, the collapse of the socialist system and the return of the capitalist system, dictatorship's replacement by democracy, and the financial and economic crisis of today. Only we who have lived in Eastern Europe and are now in our seventies or eighties can say we experienced ourselves, not once or twice, but eight times, what it means to go through a change of system, a great transformation, or at least drastic changes of political regime, back and forth, time and again. Contrasting capitalism with socialism and the features of these two types of system, the great transformations: these are the changes of world historical importance that Marx was most interested in and sought to comprehend. We, though, were not just concerned with them intellectually—we *experienced* those changes. This intellectual material, not some special analytical ability, may qualify me to add something specific to the great, worthy body of literature on Marx.²

When my Japanese hosts invited me to deliver a lecture, they pointed out that two events are being combined. One is a conference on Karl Marx, in which my lecture is being heard. The other is a celebration to mark the eightieth anniversary of the foundation of Kanagawa University. When they learned that Hungarian economists had

¹ I am grateful to Zsuzsa Dániel, Aladár Madarász, and Eszter Nagy for their valuable assistance with this study. I would like to thank Brian McLean for the excellent translation and Collegium Budapest and the Central European University for the support of my research.

² I would like to single out the following works of recent and contemporary literature: Elster (1991), Foley (1986), Kolakowski (1978), Mandel (2008), Roemer (1986 and 1994) and Tabbit (2006).

Textbooks of theoretical history used in Western universities—or at least those appearing in the last ten years—mention Marx's works but do not usually analyze or assess them in depth. See, for instance, Backhouse (2002) and Vaggi and Groenewegen (2006)

greeted me on my 80th birthday this year, making me exactly the same age as the university, they thought it would be appropriate to invite me to contribute a lecture to the celebrations. That is a great honor and I am very grateful to my hosts for the invitation. I greet you at this birthday with warm congratulations and with the empathy of an 80-years old.

Since the invitation has a personal character, it seems permissible for me to give my lecture a *personal* tone. What I shall convey is not some collective statement of the East European intelligentsia, but my individual story. Everyone's life is unique and different. But I should add that my own story is *typical* in many respects. Many phases of my life, if not the whole of it, could stand for similar phases in the lives of others. When my autobiography *By Force of Thought* appeared, many people got in touch with me to say that on reading of one period or another in my personal chronicle, they had recognized their own story.³ I hope the same will apply today when I relate what my ideas in relation to Marx were at various stages in my individual life (and of history, by which my life was deeply affected.)

I will pick out only a few ideas from the immense richness of Marx's life's work. It would call for a complete study to convey just my own comments on each of these ideas, whereas I have only a few minutes for them. So I cannot offer detailed analytical arguments. I hope the chosen genre—narration of the subjective story of my relation to Marx's work—will allow me to discuss the great subjects covered, even if at very high speed.

What drew me to Marx...

I was a lad who was immersed in books. I would consume them—not just world literary masterpieces, but works of philosophy and history—although I did not read any of Marx's writings before 1945. There was nobody at home, in a well-to-do family, or at school, where the sons of the upper middle class were taught, to put a work of Marxist literature in my hand. Yet a year or two later I could declare myself a conscious Marxist.

What brought the rapid change and attracted me to Marx so strongly?

My sensitive years of puberty coincided with laws discriminating against Jews and the demeaning experiences of persecution: going into hiding, escape, and fear. Soon after the siege of Budapest came to an end it became clear that my father had been deported to Auschwitz and killed there, and my eldest brother had not returned from the labor service. I understood enough of history from my studies and my personal experiences to know that the Hitler regime and its Hungarian accomplices had pushed the country into war and genocide. Several new parties were founded and I soon became a supporter of the communist party. The first idea to send me in that direction was of the communists as the one party to have opposed the Horthy regime consistently for decades, at risk of persecution—the Horthy regime that would ally itself with Hitler and later usher in Nazi rule. My place was among them. So I joined, though the attraction was not the program of socialist transformation of society, of which I knew little at the time and of which the communists of the day were saying little in any case.

When I began to go to the meetings and lectures of the communist-led youth

³ My autobiography first appeared in Hungarian in 2005. It was followed by editions in Japanese and English, and then in Russian, Polish and Vietnamese. There is a Chinese edition in preparation. The book was translated into Japanese by Tsuneo Morita and was published in 2006 in Tokyo by Nippon-Hyoron-Sha.

movement, I began to read the party's pamphlets as well. The party's ideology seemed congenial and socialist ideas convincing.

That led me to Marx, scarcely a year after the country's liberation from the Germans. I was 18 years old when I first picked up *Capital* (in German, because it had not yet been translated into Hungarian) and went through it line by line with my closest friend, studying it very thoroughly and taking detailed notes.

Let me stop for a moment here and draw attention to the time sequence. Although I was a young bookworm, it was not an *intellectual* experience that gave me my first push towards Marx. First came a *political* approach of joining in the activity of the communist party, and then came the influence of the books, the works of Marx. It did not start with looking over various currents of thought, schools of economics and philosophy, and finally selecting Marx. It began when I chose myself a party out of the various current movements, parties and ideologies, then the communist party placed the works of Marx on my desk.

I could give a long list of the features of *Capital* that had a strong influence on me at that time, but let me pick just a few.

I was increasingly charmed as I went on with my reading by the sharp logic of the work, the tightness of its thinking and argumentation, the precision it brought to its concepts. I had earlier developed a characteristic that my family and colleagues called ironically my "mania for order." I find it hard to put up with untidiness and adventurism in writings or lectures or even free conversations. Marx won me over immediately with his pure, transparent structure and the clarity of his concepts. Not until much later did I come across works that translated some of Marx's great intellectual structures into the language of mathematics. Bródy (1970) the Hungarian economist and Morishima (1973) the Japanese used input/output models to express Marx's theory of reproduction. The American economist Roemer (1986) used the standard instruments of mainstream microeconomics to rephrase Marx's political economy. The use of strict mathematical language made it all the easier to construct their models because the original material (e. g. the theory of reproduction) had been expressed initially by Marx in a logical order with accurate definitions.

I was impressed by something else as well, if not at first reading, then later, when I had read and studied the work of Marxist authors. I got the impression that Marxists had gained a key to every door. They possessed an analytical apparatus and a conceptual framework with a *universal* explanatory force. Whatever the historical event, the economic problem, or the stage performance to be considered, there was an instrument in a Marxist's hands that performed the task of analysis. This gave the Marxist a sense of superiority. It might be that X. Y. knew an early period of capitalism in more detail, having studied it thoroughly for many years, but he was no Marxist and I was, and so I could understand the historical period better than he could. It might be that the critic N. N. was surer of his literary taste and more expert in drama, but he was no Marxist and I was, and so I could identify the real virtues and problems in the drama better than he could.

Young intellectuals yearn for some kind of *general explanation of the world*. Some find such a comprehensive explanation in belief in God, perhaps in some religious creed. Many economists or other social scientists with a modern training look for an explanation of all human endeavors and social events in the theory of rational choice. This strong desire for a universal explanatory tool was met in my case by Marxism. I am not thinking of insignificant dilettantes, but of fellow countrymen such as the philosopher Georg Lukács and the economist Jenő Varga, both world famous in their fields. I felt that the more thoroughly I came to know Marx and his great followers, the

tighter I would be able to grasp the key to all problems.

The attraction I will mention third, although it actually operated in conjunction with the other two, was Marx's passionate commitment to the cause of the oppressed and downtrodden. As fate would have it, 1944, the last year of the war, took from me the comfort of a middle-class home. In a couple of months I was doing manual labor in a brick factory. The other workers there received this scrawny, but industrious young man in a friendly way. I saw them in their homes and could not help comparing the spacious, elegant apartment I was used to with their cramped quarters, and the abundant food at home with their short rations. I developed and have kept a sense of solidarity. *Capital* was a staggering read also for its inseparable combination of cold economic analysis with warm human feeling and hatred of exploitation.

... and what disillusioned me again

I will now take a leap in time from the immediate post-war years. As time went by, I absorbed more and more of the teachings of Marx and his followers—until 1953, the death of Stalin, and the story of subsequent years, which formed a turning point in the life of the communist party and their rule over the country. That also brought a turning point in my thinking.

Again the change did not occur on an intellectual plane, as it might have done from reading works critical of Marx's teachings, perhaps. It was not any published criticism in books or periodicals that convinced me Marx had erred on basic matters. I was overcome by something quite different—not the system of *thinking* I had built up so firmly hitherto, but my *faith*. I met a senior colleague, an old communist, who had been arrested and tortured although he had not committed any crime at all. Up to then I had not known that the secret political police would extract false confessions by torture, in the name of communism, at the command of the party's highest leaders. This knowledge caused a collapse in the *moral* basis for my convictions. If that could be done in communism's name, there had to be something rotten around.

I see in retrospect that I had developed a kind of mental defense mechanism before the change came. I believed in communist ideas with my heart and soul, not just my mind, and I had put up barriers to stop ideas alien to Marxism and socialist doctrine from intruding. It was no use for a work that took issue with Marx to appear before me, because I would dismiss it, arguing that it contained the prejudiced voice of an enemy. I felt I was excused from measuring the ideas acceptable to me against opposing ones. This mental state, incidentally, is not confined to convinced communists. It appears among all who believe with *fanaticism*.⁴ An Inquisition prosecutor or judge, a functionary in a terrorist group sending out a suicide bomber, an evangelist, a fundamentalist preacher, or a convinced charismatic politician may be a cultivated and intelligent person of high intellectual capabilities, yet impenetrably dismissive of arguments opposed to that fanatical faith. Such people cannot be convinced by cool, rational argument while the moral supports of their faith remain strong inside them.

But suddenly, as the *ethical* foundations crumbled beneath me, the gates opened and critical ideas came flooding in. Let me stop again for a moment to point to the lesson of my story. Again something had preceded the intellectual turning point in a narrower sense. This time however the antecedent event occurred on a moral, not a political plane.

⁴ Similar conclusions have been reached by the great Israel writer Amos Oz in his splendid book *How to Cure a Fanatic* (2006).

Once the gates were open, I stood open to the arguments. Item by item I re-examined my earlier Marxist ideas and methods with the critique I now recognized. The new ideas gained entrance and all of a sudden I became critical on an intellectual plane as well. I began to address problems that I had shooed away before, though they had remained on the peripheries of my thinking.

I was a journalist covering economic matters at the time. I was often coming across preposterous things: a hundred manifestations of waste, indiscipline, poor quality, and shortage. I had no help in analyzing any of these from the political economy of Marx. What kind of economics was this, with nothing essential to say about obvious economic problems? The trouble was not that it gave wrong answers, but that it failed to address them at all. I began to study seriously some other, rival theories to those of Marx and found a new world opening before me. They dealt, well or badly, with the problems that were clearly unsolved in the economy around me. Although some questions they examined were addressed only in terms of a capitalist economy, they regularly looked at *universal* problems too (e. g. efficiency, or aspects of production and need, relations between supply and demand), which were no less important under socialist economic conditions than under capitalism.

I also developed doubts about theoretical propositions that Marx and his followers had not ignored, but put forward after thorough study. To give a single example, Marx often repeats his findings on the accumulation of poverty. In *Capital*, in the chapter on “The General Law of Capitalist Accumulation” he states, “Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil slavery, ignorance, brutality, mental degradation, at the opposite pole...” (*Capital* Vol. 1 (1867) [1967] p. 645.) Marx’s followers—and this does not conflict with the implication in the above sentence—often refer to relative and absolute impoverishment of the working class. Against this, both superficial impressions gathered on trips abroad and all credible statistics show that the average standard of living among people living by their own labor in developed capitalist countries has risen over a century to a very substantial degree. (That is not to deny, of course, that poverty has not vanished either.) This is no little misunderstanding easily be cleared up. The forecast of impoverishment of the proletariat plays a cardinal role in drawing the final conclusions of the Marxian argument. If it were true that poverty was continually increasing and gaining an increasing mass, the anger of millions would have swept capitalism away long ago.

I advanced steadily in my knowledge of the critiques of Marxian doctrines through a learning process over several years. More and more theses essential to Marxian economic theory became unacceptable to me. I finally reached a point where I could reject the labor theory of value in the light of theories of the real movements of prices, wages, costs, and profits that were explanatory to an increasing extent as research advanced.⁵

Intellectual responsibility for the socialist system

Let us turn back to the years immediately preceding the 1956 Hungarian Revolution. For by the mid-1950s, I had turned from an enthusiastic and naïve builder of socialism into a sharp and ever sharper critic of the system.

Members of my generation did not all undergo intellectual transformation at the

⁵ This position, incidentally, is taken not only by those who have never come under Marx’s influence. It is also held by most representatives of so-called “analytical Marxism,” even though they espouse most elements of Marx’s social theory and philosophy. (See Tabbit 2006, 598–9).

same pace or in the same forms. Some rejected the old approach all at once and some step by step, defending each ideological fragment from annihilation. Some began early to reform their ideas, and some delayed doing so for decades. But ultimately the great historical dramas experienced together brought intellectual transformation to this group of intelligentsia and to all its members.⁶ One staggering event for those who had started out as Marxists and communists was the 1956 Hungarian Revolution and its violent suppression. Another was the Prague Spring of 1968 and the crushing of that. Then came the upsurge of the Solidarnosc movement in Poland and the arrests and state of emergency that ensued. Even among those who were trying to preserve each fragment of their world view experienced ever stronger doubts. What tormented us all was one of the basic questions of the twentieth century: what kind of system had the one known as “existing socialism” really been? Did it *inevitably* entail all the suffering we had had, from famine through technical backwardness to chronic shortage, from denial of freedom of thought to brutal police terror and the Gulag? Or were all such bitter experiences distortions caused by criminally bad implementation, having nothing to do with Marx, his theory, or his proposed plan of action?

To put it another way, was Marx responsible for what had occurred in the Soviet Union of Lenin, Stalin, Khrushchev and Brezhnev, the China of Mao, or the other communist countries ruled by their disciples?

Many people played over in their minds the story of how Karl Marx might have behaved if he had been the same man in body and soul not in his own time but in the twentieth century, say in Budapest. He would presumably have started out as a communist, but his protesting spirit would soon have placed him among the protesters against the communist regime. He might have been sent to a concentration camp in the 1950s, and if he had survived that he would have taken part in the preparatory intellectual debates that preceded the 1956 Revolution. He would have been there among the revolutionaries and if he escaped the subsequent wave of arrests, he would have published in samizdat form his vitriolic criticism of the Soviet-type economy. This is an exciting line of thought, to excuse in our minds Marx the man and the critical character typical of him, and honor his courage and devotion to principle. But it avoids the truly relevant question put earlier: what is the relation between Marx’s theoretical ideas and the historical reality of the socialist system? I will make an initial attempt to answer it briefly: the plan of Marx was indeed *implemented* by the socialist system (not some fine Utopia, but what existed and I lived through).

I know some people will be upset to hear that harsh statement, perhaps some sitting here as well. But I repeat, it is to my belief a true statement, supported by historical facts that what arose after 1917 in the communist region and existed until 1989 was in its fundamentals a realization of what Marx saw as the socialist system that would replace capitalism.

The kernel of Marx’s line of thinking is that the property relations of capitalism are marked by private ownership. To abolish capitalism means placing the means of production in public ownership. While private ownership dominates, human cooperation, the exchange of goods, and the allocation of productive forces will be coordinated by the market. The market is a bad coordinator, opaque and anarchic. Public ownership will

⁶ The struggle with the ideas of Marx and the gradual surpassing of Marxism can be followed in the works of many East European social scientists. I mention only two remarkable and influential works, the (1972) book of W. Brus, first published in Poland in 1961, and the study of G. Bence and J. Kis (1978). The *samizdat* publication of the latter was first circulated illegally in Hungary, and then published under a pseudonym in a Hungarian émigré journal in Paris.

allow allocation of forces of production and ultimately human labor to become transparent and planned.

Let me give a couple of quotations to back my claim that these are Marx's own ideas (not those of followers perhaps diluting or misunderstanding them). First *Capital*: "The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it.... The knell of capitalist private property sounds. The expropriators are expropriated." (*Capital* Vol. 1 (1867) [1967], p. 763.) And another important passage by Marx: "...the constant anarchy and periodical convulsions which are the fatality of capitalist production."—found in his study "The Civil War in France" ((1871) [1988] p. 61). And in the same paragraph just quoted can be found the often-mentioned *common plan*: "...united co-operative societies are to regulate national production upon common plan, thus taking it under their own control...."

Now let us compare those theoretical propositions with the reality of the socialist system that arose in the Soviet Union and other communist countries. The two salient features of the real system are just what Marx expected and prescribed:

1. It came very close to eliminating private ownership of the means of production (though remnants remained here and there in an impoverished, constricted form) and public ownership became dominant instead, mainly in the form of state ownership.
2. It came very close to eliminating market coordination (though remnants remained in the black and gray economies), while central planning, bureaucratic coordination and the command economy became dominant instead.

Here I have not taken two secondary aspects of the socialist system at random. I have talked of the two *basic* features of the economic order.⁷

If I debated this with blinkered Marxists, one customary riposte would be that the Stalinist or Maoist regime used the name of Marx only as a misleading symbol, a patron saint, whereas in reality there was nothing in common between them. I tried just now to combat that argument with Marx and Engels quotations. Those regimes had every right to cite Marx, for they implemented the great historical task he had recommended.

(Let me note in parentheses that this idea of the image of Marx as a "patron saint" hung on the wall for political ceremonies applies to the present-day Chinese communist party, which disguises its real policy. The Chinese communist party presents a false ideology when it cites Marx. The system it controls is fundamentally capitalist in nature, as the dominant form of ownership is private and the main coordination mechanism is the market. So exactly the opposite has been done in the last ten or twenty years to what Marx presented as his program and what was realized earlier in China and the other socialist countries.)

Obstinate defenders of Marx's teachings do not like to confront the bald statement that the Russian Bolshevik party and its followers in other countries accomplished Marx's plan of transformation. I have had more than one experience of this kind. I have met at some American universities clever and interested students who call themselves "radical economists." They read and studied enthusiastically the works they saw as politically acceptable. They were prepared to acknowledge and study thoroughly the theories and methods of mainstream economics as well. But they disdained to study the communist economy of the Soviet Union and Eastern Europe. This lacked any interest for them, or perhaps it is more apt to say it repelled and disgusted them as something of no concern that bore no relation to the ideas of Marx that they honored and

⁷ I have tried in a few lines to outline the salient features of a socialist economy. My ideas are detailed in my book *The Socialist System* (1992).

accepted. In my view they were sticking their heads in the sand like ostriches.

The instances that I found were not confined to young students. Even as I was prepared for this lecture and read work by open-minded, highly skilled reinterpreters of the theories of Marx, I was struck to find how even the best refrained from comparing Marx's socialist program with the historical experiences of the Soviet Union, pre-reform China, or the East European communist countries. Such names as Lenin or Stalin were unmentioned.

In my view, intellectual and political honesty requires us to face the question conscientiously: what do Marx's ideas have in common with the realized socialist system? What does Marx have in common with Lenin and Stalin? I have tried to give my straight answer. It is possible to dispute it, but hardly to deny the relevance of the question itself.

An economy where private initiative and market coordination are eliminated is left dependent on superior administrative regulation, a mechanism where discipline and instructions have to be imposed administratively from above. The socialist system cannot function without repression. Lift the repressive machinery and sooner or later the system collapses. That happened in the Soviet Union, and as it began to disintegrate, so did the East European communist countries.

This ties in with Marx's view on dictatorship and democracy. He himself would probably have been horrified to witness what went on in the torture chambers of the Cheka or the Siberian penal camps. But as long as they had only to express themselves on paper, Marx and Engels were scornful of empty, formal bourgeois constitutionalism, parliamentarianism, and democracy, and called instead for proletarian dictatorship.

I have been rereading the famous debate between Kautsky and Lenin: Kautsky's book *The Dictatorship of the Proletariat* (1918) and Lenin's retort *The Proletarian Revolution and the Renegade Kautsky* (1918). Kautsky writes in a measured, objective tone. He stands firmly by the ideas of socialism but remains true to parliamentary democracy. He is concerned that the interests of the proletariat will become a pretext for repressing the will of the majority and abusing power, leaving the minority without protection. Lenin uses vitriolic scorn and contempt for his opponent to combat Kautsky's every argument. Yet in our eyes today every one of Kautsky's fears have proved justified. He, not Lenin, was right about it all—with one important exception: his interpretation of the view of Marx and Engels. There Lenin, not Kautsky, produces the convincing quotations to support his argument from the ideas of the two great prophets. He recalls Marx's well-known words: "...the workers replace the dictatorship of the bourgeois class with their own revolutionary dictatorship..." (Marx (1873) [1974] p. 300.) He quotes Engels: "The victorious party does not want to have fought in vain, it must maintain this rule by means of the terror which its arms inspire in the reactionists." Engels (1872) [1978] p.733.) Here is another Engels quote in which Lenin rubs Kautsky's nose: "The state is nothing but a machine for the oppression of one class by another and indeed in the democratic republic no less, than in the monarchy." (Engels, (1981) [1988] p.22.)

Kautsky cannot offer quotations from Marx to back his argument here. He too quotes Marx on the revolutionary dictatorship of the proletariat and is then obliged to make this bitter comment: "Marx had unfortunately omitted to specify more exactly what he conceived this dictatorship to be." (Kautsky, 1964 p. 43.) Neither in Kautsky nor any objective present-day scholar sympathetic to Marx in many ways have I found a quotation where Marx, superb political analyst though he was, speaks comprehensively of political government, the state, or the relations between oppression and freedom, seriously examines the relations between democratic institutions and human rights, or

explores the dangers of dictatorship. Marx ignores the *problem* itself, the whole problem-sphere of institutional protection of human rights and freedoms. That disdain became deeply ingrained in Lenin and his other faithful followers.

The statement that democracy is nothing other than the dictatorship of the bourgeoisie—due for replacement by revolutionary means with another dictatorship—blurs the strong distinction between democracy and dictatorship. Only after the rise of Hitler did western communists realize that “formal,” “bourgeois” democracy, parliamentarianism, the *Rechtsstaat*, legality, were not illusory, but a possession of irreplaceable value. For one thing this is because it provides institutional protection to people wishing to speak and write, to the government’s critics at any time, to the radical changers of society, including such people suffering from intellectual cantankerousness as Marx too had been in his time.

Perhaps in Marx’s day the democracy/dictatorship distinction and bourgeois or proletarian dictatorship still seemed like verbal wrangling. But looking back today having experienced and survived Stalin, Mao, Rákosi and the other tyrants, these terms take another meaning. Marx’s dismissal of democracy seems to have leveled the site on which Leninist/Stalinist/Maoist tyranny was built, immobilizing the resistance of his believers to repression.

The word “responsibility” can clearly not be used here in a criminal sense. Proclaiming a false idea is no crime in itself. Nor does the question of “responsibility” arise even in an ethical sense. Marx did not break an ethical imperative by championing the elimination of private ownership and the market or not recognizing the worth of parliamentary democracy and the rule of law in protecting human rights. I am talking only of intellectual responsibility. If I proclaim an idea that prompts people to social action, I bear responsibility along with those who directly perform the action, and I bear responsibility for the consequences of that action as well. The more influential my words, the greater my responsibility. And nobody has ever had greater influence than Karl Marx, with his ideas and his program of action.

What survives of Marx’s teachings

Once the socialist system had fallen, it became a quite general view in intellectual circles around the world that Marx’s ideas had collapsed once and for all. Look, they had been refuted by history! More than once I came across pretentious writings or arrogant remarks about Marx now being *passé*, out of fashion, and of no further concern.

These days, as crisis unfolds, the opposite view has emerged. Marx is back in vogue. He is chic again among politicians and journalists, and Marx’s prophetic foresight can be cited to support horrific scenarios of the imminent collapse of capitalism. *Capital* is a bestseller again.⁸

Both swings of fashion are unjustified. Marx’s work has indelibly written his name not just in the *history* of politics and ideas, but several of his thoughts still stand and assist in understanding the *contemporary* world. I will return to that shortly, but first let me say a little about the latest renaissance of Marx. Marx certainly makes frequent prophecies about the self-destructive operation of capitalism and how it will lead to a fatal crisis and collapse. Even some of the scholars who esteem Marx’s ideas most recognize that the line of argument about ultimate collapse is hard to follow, enigmatic,

⁸ On the sudden resurgence of interest in Marx, see for instance an article in the London *Times* (Collins 2008).

or simply erroneous.⁹

I do not deal in prophecies; all my experience teaches me is that changes of world historical importance often occur unexpectedly. I do not know what social organizations will persist in the future. All I can say is I have yet to see an imminent collapse of the capitalist system, still less any fulfillment of Marx's prophecy of capitalism's replacement by the socialist system. The foundations of capitalism appear to me to be too solid for that. The question will not be decided anyway by a duel of prophets, but by future events. All we can say *now* is that capitalism, though wracked by spasms, is still *alive*.

The daily press offers remarks by politicians and journalists about a purported "Sovietization" of the western world. What else could explain the fact that some governments are not giving bailouts for free, but requesting rights of ownership in exchange? (Let me add this becomes state property that governments may later privatize again, unless some communist party gains power in the United States or Britain, intent on applying the Soviet model at all costs.) Those babbling of "Sovietization" and the introduction of socialism are betraying their ignorance not only of Marx but of the history of the Soviet Union and the true characteristics of the socialist system.

However, it is worth emphasizing some remarkable arguments in Volumes I and III of *Capital*, about periodic exorbitant expansions of credit and the crisis-inducing effects of these. He may have been first or one of the first to note how the expansion of credit leads (in Marxian terminology) to overproduction, i.e. to production in excess of real demand and to excess capacity to make the excessive production. This accelerated expansion goes on until the chain of lending suddenly begins to snap.¹⁰

Some academic economists and practical financiers recognized in the last decade or two the dangers in the irresponsible expansion of credit, erroneous calculation of risks, and the lack of appropriate regulation of the credit system, and even made proposals for averting trouble, but nobody listened. These watchful warnings came not from Marxist circles or radical opponents of capitalism, but from believers in capitalism who were fearful for it, critics of existing credit practices, in other words. They come from *reformers* of the system.

Let me now return to my lecture's subjective frames of reference and say something of what remains for me the most instructive and immediate of Marx's ideas. His genius swamps us with ideas and analytical tools. I have taken issue in this brief essay with a few essential ideas of his and signified that I do not accept them. But if I may continue to speak for myself, there are many important Marxian contributions to scientific thinking that I can still accept and try to put to use. I will confine myself to a few examples.

Most people think of Schumpeter when mention is made of "creative destruction," of entrepreneurs devising new products, introducing new technologies, spreading new forms of organization, entering new markets. From there we go on to the capitalist development Schumpeter described, destroying the old world and replacing it with its own world and method of production, imposing them on society. But let it be said that Marx and Engels described this process and the creative and destructive force of capitalism far earlier, in the fascinating first lines of the *Communist Manifesto*. Capitalists, in Marx's political economy, play a prime part in organizing the process of

⁹ Marx's ideas on this are usually interpreted to mean that the declining profit rate is a tendency which reaches a point that incapacitates the capitalist production system. Most critics cite historical facts against both the theoretical tenets and the tendency. I for one agree with the critics.

¹⁰ Marx never summed up his ideas on the repeated crises. Perhaps the main place to refer to is *Capital* Vol. III [1967-1984], (1974), Chapter 30, which tersely presents his ideas on crisis. E. Mandel 2008.

technical renewal and progress.

The attention of most economists before and after Marx was centered on states of equilibrium, especially the particular case of market equilibrium when demand is balanced by supply. This special state later became known as Walrasian equilibrium. Malthus, along with Marx, was the pioneer of research into states that differ from market equilibrium—not just random fluctuations around Walrasian market equilibrium, but chronic deviations from it. Marx was particularly concerned with the labor market in this respect, where supply was *persistently*, not temporarily higher than demand. Marx was prompted to seek not a demographic explanation of this but an economic one, when he examined the phenomenon he termed “relative overpopulation.” Nowadays the same phenomenon of persistent excess supply of labor is known in labor economics as unemployment equilibrium. (See, for instance, Layard, Nickell and Jackman 2005, pp. 8 and 11.) Few remember that Marx was the pioneering forefather of this. For my part I must say that I learnt mainly from Marx how important it is to study and explain the persistent deviations from market equilibrium.¹¹

I am not familiar with the exact history of how the term “capitalism” was coined and introduced into academic thinking. But I do not think that I am wrong to say that most politicians, commentators and social scientists have associated the concept of “capitalism” with Marx and his school for a long time, along with the contrast between the real capitalist system and the new world of the socialist system, still only predicted and desired in Marx’s time. Marx conceived of the latter not as a Utopia, but as a historical reality that would certainly appear. This conceptual framework is closely tied to Marx’s theory of successive modes of production.

I am still strongly influenced by this important component of the Marxian structure of thinking. In one of my writings, I coined the term “system paradigm”, i.e. the outlook that does not isolate sections or coherent *parts* of society, namely the political sphere, culture, the intellectual sphere, or the economy, but focus on the *whole* that the parts make up. For that reason it concentrates attention on how the various parts relate to each other and what mutual effects they have. The system is not depicted in a static snapshot, but in its dynamics, as it unfolds in history. Marx was the great pioneer and incomparable practitioner of the system paradigm. He was at once an economist, a sociologist, a political scientist, and a historian. No one in his day used the term “interdisciplinary,” but he set the example of how narrow disciplinary bounds could be overstepped and to do research as a comprehensive social scientist.

People sometimes ask me whether I am a Marxist. My answer is a clear negative.¹² Others like to place me in the Austrian School, or call me a Keynesian, a Neo-Classicist, a Neo-Liberal and so on. I shake my head in each case. I am not an unconditional follower of any “ism.” Though others may try, I will not allow myself to be pigeon-holed. I prefer to profess that the elements of my thinking are mingling—in the ironical words of Engels—into an eclectic beggar’s soup. If I were less malicious toward myself, I would be more inclined to say I sought to integrate various schools of

¹¹ The phenomenon central to my researches (Kornai 1980) was the chronic *shortage* of goods and labor apparent in the socialist economy. The diametrically opposite, mirror image of this is the idea of permanent *surplus* described by Marx and Keynes.

¹² Those who once taught “dialectical materialism” or “political economy” up to 1989 (doctrinaire courses on Marxist dialectical materialist philosophy or likewise dogmatic Marxist political economy) are now in denial in Eastern Europe. My statement has other antecedents. As I said at the beginning of the lecture, I started as a Marxist. But in November 1956, *after* the Soviet tanks had broken into Budapest, I announced as a political statement to the local secretary of the communist party: take note, I am not a Marxist. This caused me difficulty later in life in the academic world, where it was literally compulsory to be a Marxist.

thought. If forced to name those who have influenced me most, I mention the names of Schumpeter, Keynes and Hayek, but first on the list comes the name of Karl Marx.

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