

BERNARD CHAVANCE<sup>1</sup>

**AT A HIGHER DEGREE OF ABSTRACTION, THERE IS  
THE QUESTION OF COMMON CHARACTERISTICS OF  
THE TWO SYSTEMS**

*BERNARD CHAVANCE'S LECTURE AT THE LAUNCH OF THE NEW  
BOOK TITLED SYSTEMS, INSTITUTIONS AND VALUES IN EAST AND  
WEST ENGAGING WITH JÁNOS KORNAI'S SCHOLARSHIP<sup>2</sup>*

It is a pleasure to introduce the discussion about the book 'Engaging with János Kornai's Scholarship', which gives a glimpse of the variety of topics in his extensive life work.

I shall focus on a theme that is underlined in the title and runs across most contributions, the system paradigm. Kornai's contribution is essential and unique here. It combines history and theory, in the perspective of 'histoire raisonnée' that Schumpeter saw in Marx. It is centered on *economic* systems, but the question of the role of polity in these economic systems has been broadened in recent works.

The question of the contrast between capitalism and socialism, understood as families of historical national systems, has been elaborated quite systematically since *Anti-Equilibrium*. It culminates in Kornai's book of Essays on capitalism (2013), where he presents both systems as «opposites», the surplus economy and the shortage economy.

Different oppositions are stressed : pressure/suction, hard/soft budget constraints, buyer's/seller's markets, market/bureaucratic coordination, rush/harmonic growth, centralization/decentralization, surplus/shortage economies.

These are heuristic dichotomies, based on idealtypes of both systems. A great contributions of Kornai to the system paradigm is the contrasting approach to the two great systems, that are characterized by a kind of symmetry of principal characteristics and modes of development. We also find the notion of evolutive « elective affinities » between diverse elements and properties of each systemic family, leading to a significant coherence of capitalist and socialist economic systems.

In the last three decades, two historical questions have required some qualification to this powerful theory.

First was the transformation of the chinese economic system. While Kornai's 1992 book was a remarkable theory essentially based on the various historical experiences of Soviet and East european countries, it was questioned by China's trajectory where evolving institutional « disaffinities » did not lead to ultimate crisis, as in the Eastern societies, but to a long period of high growth through which the ultimate economic system transformation was accomplished. Besides,

<sup>1</sup> Professor of Economics at the University Paris Diderot

<sup>2</sup> Edited by Dóra Piroska and Miklós Rosta, Central European University Press, 2020. Corvinus University, Budapest, sept. 23rd 2020

the economic system change did not go through the disintegration, but the continuation of the famous « first bloc » of Kornai's comparative system model, the political bloc, that conditions the other blocs of property, coordination, etc. This led Kornai to reconsider the role of politics in the systems evolution and change (in the last decade, the Hungarian history was of course another important context leading to his revisitation of the system paradigm).

A second question that opened to a new reflection was the « soft budget constraint syndrome » in the capitalist family. Kornai talked about « islands of shortage economy » that developed in a sea of surplus, as in the health system or in higher education. In 2012, he wrote that « the more the SBC syndrome intrudes, the more capitalism, at least in this important respect, comes to resemble the socialist system ». Here the idea of « opposite » systems and the notion of elective affinity or institutional coherence is questioned.

Let me raise two extensions of Kornai's approach that may help to go further with the system perspective. His theory is mainly developed at the general level of two great system families, capitalism and socialism, where the contrasting features stand out. At a higher degree of abstraction, there is the question of common characteristics of the two systems, the fact that they are both monetary and wage-labour systems – the metaphor of one genus, two species, comes to mind. At a lower degree of abstraction lies the question of the historical diversity within each species or family, that Kornai points out but does not explore himself. Here the common features of each family are considered with the variation or diversity of institutional and developmental characteristics of different countries through history. The different levels of abstraction might contribute to explore further some stimulating problems that arise within the system paradigm.

As the editors and the contributors of this book have done, this is just another example to pay homage to a thinker that has so deeply contributed to but also changed economics and social sciences. For me he has undoubtedly raised to a status of a classic thinker, whose work is as we say in french, « incontournable », that is to say inescapable.