

# Praising the Hybrids: Notes on Economic Thought Ten Years After

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## Dichotomies And Metaphors

Ten years after . . . After what? The Czechs and Slovaks say *Listopad* (November), the Germans *Wende* (turnaround), the Hungarians *rendszeráltás* (systems change), the Poles *Okroglý Stol* (round table), . . . or they simply mention the date with a bit of resignation: 1989. Or they put up with dry generalizations such as “the changes” and “the events.” As usual, the Russians do not even have adequate understatement. “After the putsch” is perhaps the least value-laden expression they can use. Or they—like all of us—reach for the evergreen and dilatable terms of “reform” and “transformation” in order to avoid saying something like the Great October Revolution or *perestroika* again. Probably, the citizens of the nation-building new states are in the best linguistic position. After all, they can refer to their newly acquired independence.

If, nonetheless, a politician in Central and Eastern Europe uses the word “revolution,” he or she adds a degrading qualifier (e.g., forgotten, betrayed, stolen). For a short while after 1989, scholars in the region and beyond were satisfied with Timothy Garton Ash’s enigmatic coinage, “refolution.” As time passed, this term became less and less tenable because in many countries even real socialist-style, quasi-liberal reforms were hard to find among the multitude of non-revolutionary or expressly counterrevolutionary changes. Instead, heavy doses of primordialism (e.g., tribal forms of ethno-nationalism) and, on the other end of the historical spectrum, postmodernism (e.g., neo-populism), as well as big portions of modern authoritarianism (including whitewashed communism) were mixed with the expected combination of real socialist reform and anticommunist revolution.

Looking around in Central and Eastern Europe today, one sees a series of strange hybrids of multiple origins, no matter if we exam-

ine the economic or the cultural life of an ex-communist country, its polity, or basic social arrangements. To quote a most spectacular example, Vladimir Mečiar's regime until recently embodied a caricatured version of hybridization by blending the communist past with Slovak nationalism, privatization with clientelism including Russian state / mafia capitalists, old-new censorship with up-to-date media populism, multi-party democracy with the criminalization of politics, or—to borrow a case from his last election campaign—by coupling the profane charm of Claudia Schiffer with the romantic message of folk songs performed by Mečiar himself about the beauty of the Slovak land. Or to pick a fresh example from my own country, nowadays the observers take great pains to find the most telling analogies to describe the worldview of the new government elite of the Young (for some years, also Hungarian and Civic) Democrats. Charles de Gaulle and Jörg Haider, Tony Blair and Silvio Berlusconi are all being evoked in the first portraits of the new prime minister, Viktor Orbán. Not unjustifiedly, let me add. To further complicate the picture, he is a political friend of the German liberal, Otto von Lambsdorff, but his main idol is a former prime minister of Hungary, József Antall, a remote disciple of Konrad Adenauer and an admirer of proto-Nazi Hungarian conservatism between the two world wars.

While in politics there is still some attraction in disentangling the controversial mixes, and while a few economists and sociologists have also made stimulating attempts to construct typologies of combined forms of postcommunist privatization and stabilization, the closer we get to soft disciplines such as, culture, social science, popular attitudes, etcetera, the quicker the remaining enthusiasm evaporates. We, students of Central and Eastern Europe, stubbornly fight the contemptuous term “transitology” and proudly state that instead of a predetermined one-way street leading to capitalism, our subject is a bundle of path-dependent, open-ended games of the transformation. Nevertheless, we owe to mankind, i.e., the smallest human entity we thought to serve before 1989, quite a few histories of these games. Unfortunately, ten years later one cannot protect himself by saying: “I am sorry, the historical perspective is not yet broad enough to start completing the Grand Narrative.”

Of course, I am aware that over the past decade mankind has become less curious about post-Soviet affairs and our discipline (call it as you please) has degenerated / developed into one of the underfunded area studies in western—and East-European—academia. Countries in the region, once regarded by many as agents in a gigantic laboratory who conduct experiments for the once-and-for-all united West, are currently considered prodigal sons who, in striking contrast to the Bible story, have to commit their sins and pass a number of humiliating tests before being readmitted to the family home. According to this view, Central and Eastern Europe have become boring places, parts of which need to be assimilated (or on the contrary, segregated) rapidly. Small wonder that under such conditions scholarship does not flourish: experienced researchers become disinterested and unoriginal while their younger colleagues tend to switch to more lucrative fields of study.

I am afraid, the above-mentioned histories will not be written and even the small narratives will not be told in the near future. In other words, the metaphoric stage of our discipline probably will not end any time soon. Elegant *bon mots* with declining scientific productivity will continue to replace profound description and analysis as they did, justifiably at the time, right after 1989. “Unmaking the omelette,” “building the boat on the sea,” “seeing the tunnel at the end of the light”—such witty phrases no longer illuminate our minds. Similarly, still prevailing dual schemes such as *democradura*, “planning the market,” “state-led privatization,” while expressing the inherently paradoxical nature of the transformation, inevitably simplify the complexity of the emerging hybrids. The purpose of these notes is to demonstrate with the example of my own research field, the history of economic thought under and after communism, what we may lose if we keep on squeezing our stories in dichotomies no matter how sophisticated.

### **Young Versus Old?**

Postcommunist gradualists versus “Chicago Boy” shock therapists—in the first years of the transformation this cleavage dominated the economic reports of the 1989 revolution, particularly in the West. This simplistic view has fortunately faded away. Unfortunately,

however, it is being revitalized today by means of a refined but similarly dual interpretation, particularly in the East. Currently, if you ask the local economists themselves, you will hear two—basically generation-dependent—lamentations. I swear, I do not sharpen their own words.<sup>1</sup>

According to the members of the older generations, economic science in the region has been inundated by the western mainstream, or its now-fashionable side branches, in a process of spiritual colonization. Among the colonizers are young aborigines who, upon their return from Ph.D. curricula in the West, begin to introduce standard neoclassical thought in higher education with all the enthusiasm of neophytes—unfortunately, on the level of third-rate American universities. They increasingly profit from international research projects and, while believing that they have reached the peaks of universal economic science, they are mere data providers for and plagiarists from their idols. These newcomers' main preoccupation is building sterile mathematical Models (with a capital M) of a few variables. Pure methodology based on shaky assumptions of rational choice is preferred to the real world. Scientific imagination stops at the border of the models, generalization is constrained, and normative conclusions are pale. If they nevertheless leave pure economics behind for a moment and venture to advocate government policies, they tend to apply dogmatic neoliberal solutions rather aggressively. All in all, snobbery, elitist myopia, and professional chauvinism prevail in the new vanguard.

In contrast, the young Turks are convinced that it is still the ex-reformers of the old regime who dominate economic culture in Central and Eastern Europe. These reformers are engineering the transformation in close collaboration with the political elite. Under the pretext of a new political economy, they tend to subordinate economics to politics. You find them in the advisory bodies of the

1. See J. M. Kovács, "Which Institutionalism? Searching for Paradigms of Transformation in Eastern European Economic Thought" in Hans-Jürgen Wagener, ed., *The Political Economy of Transformation* (Heidelberg: Physica-Verlag, 1993) "Orökség, útánzás, felfedezés. Közgazdasági gondolkodás Magyarországon 1989 után" (Legacy, imitation, invention, economic thought in Hungary after 1989), *Közgazdasági Szemle*, April 1996; "A tékozló fiú sorsa. A kelet-európai közgazdasági gondolkodás (és története) hasznáról" (The story of the prodigal son. Notes about the value of economic thought and its history in Eastern Europe), *Közgazdasági Szemle*, April 1997.

parties and the governments, on editorial boards, that is, in every committee that distributes public money and official titles. They replaced reform with transformation under the aegis of a rather statist version of the social-liberal doctrine of *Soziale Marktwirtschaft*. This is the bottom line of their capacity for innovation. These transformers continue to adore grand designs, general policies, and vast social experiments (not infrequently, to the detriment of others) without proper empirical knowledge, although they love to talk about Reality (with a capital R). Former Marxists, they idealize verbal and historical arguments, and therefore propound institutional reform programs that are inaccurate and parochial. State intervention and again state intervention. . . .

These complementary lamentations, which passionately reinforce each other, provide a dual picture that excludes any alternative typology. Postcommunist transformation is full of Janus-like phenomena: why then, one may ask, should the economists be an exception to the rule of the underlying conflict between old and young, politics and science, East and West, past and future? Also, why should one revise what these economists say about themselves?

I think revision is long overdue. Ironically, precisely those economists who have enjoyed the highest prestige (or name recognition) in the world since 1989, do not fit in well with this dual scheme. The examples of Leszek Balcerowicz, Yegor Gaidar, Václav Klaus, and János Kornai—to name but a few who are frequently regarded as belonging to the same school of transformation theory—show that:

- Marxist education (socialist values) may lead to grand designs of rather different scope and quality.
- Some of the older generation's programs (in fact, some are only in their early fifties) may also carry a heavy load of neoliberal rhetoric even if this rhetoric does not necessarily match their actual policies.
- Members of the older generation may be better educated in standard neoclassical thought than many of the newcomers.
- Actually, they were the “colonizers” under the old regime.

- To a large extent, one could resist the temptation of direct political involvement under real socialist reforms, just as well as during the postcommunist transformation.

And conversely:

- Quite a few younger and well-educated economists in Central and Eastern Europe have assumed high-ranking policy positions over the past decade.
- As government politicians they do not seem to reject the idea of state interventionism, an idea to which neoclassical economics does not (and cannot) make them immune.
- Colonization also means the importation of non-standard economic thought, in particular, that of new-institutionalist schools. Why exclude the possibility that the encounter of western theory and eastern reality will lead to scientific discoveries?
- The young scholars can hardly be as neophytic as some of the older converts.

In other words, I suspect that, besides the prominent scholar-politicians, numerous not-yet-famous economists would also feel embarrassed if the above dichotomy were applied to describe their scientific accomplishments and political performance. The dual scheme will be especially narrow if we take into account the non-liberal or openly antiliberal part of the profession as well, for instance, those economists (young and old, with or without neoclassical education) who serve hardly transformed communist, nationalist, populist, corporatist regimes or—*horribile dictu*—believe in their superiority. Yet, this type is ascendant in the region partly because frustrated liberals also tend to join forces with their former enemies to slow down privatization, fend off foreign capital and global competition in general, regulate prices and wages, and micro-manage industrial policies. More and more economists rediscover their social orientation (often from their own past), and a number of them find the framework of social-liberalism too narrow. Currently, some of these experts are flirting with a conservative version of the concept of social market economy, a kind of

*National-Soziale Marktwirtschaft*, without calling it that. What is more, devoted neoliberals and stubborn nationalists can agree on pressing issues of the transformation such as the critique of monopolist practices of multinational corporations and Brussels-style overregulation of the national markets. It is not hard to predict that the present wave of victory of new social democracy in the West will inject yet another—third-way—component into the hybrids of economic thought in Central and Eastern Europe.

The frontlines intersect and confuse the simple dichotomies. In and around the new Polish and Hungarian governments, for example, you can find young experts, who as university professors, teach game theory in the morning; as state secretaries promise tax reduction to foreign businessmen at lunch or—on the contrary—preach increased state interference to protect domestic industries at a press conference in the afternoon; and as members of parliament lobby for larger welfare provisions for families in the evening session of the parliament. More often than not, older ex-Marxist liberals defend the principles of a lean and neutral state and an open economy against them.

### **Hybrids in Economics Yesterday and Today.**

The actual hybridization of economic ideas in the region would not surprise us too much if parts of the grand narratives were available, in other words, if we had ever carefully examined what the average East bloc economist had in his mind when re-entering universal economic science.<sup>2</sup> His mind was empty, one could say, this is exactly why he capitulated. He had tried everything that he could, from war communism to market socialism, and had proved mistaken each time. Big deal. Now he is hungry for new ideas outside the Soviet-style intellectual menu.

I am afraid that the starting-from-scratch thesis is flawed in this respect as well. Trial and error have indeed resulted in repeated frustration. Nevertheless, it would be difficult to find an agent of the transformation, to whom this thesis would apply less than to

2. For the first systematic attempt at writing the history of Soviet-type economic thought, see Hans-Jürgen Wagener, ed., *Communist Thought in Communist and Post-Communist Europe*, (London: Routledge 1998).

economists. In 1989, a thorough search of their minds and souls would have shown at least the following constituents of economic knowledge:

- fragments of the Marxian theory of value and reproduction;
- a large part of the reformist critique of Stalinist textbook political economy, using the famous or notorious plan-and-market discourse;
- excerpts of the ongoing debate on the possibility of rational calculation under socialism;
- main chapters of the mathematical theory of optimal planning (at that time without illusions of “Computopia”);
- most of the standard techniques of economic statistics and econometrics;
- origins of the critique of reformist discourse, based on the results of mainstream, new-institutional, neo-Austrian economics and also modern political theory and sociology;
- a skeptical view, in the style of János Kornai, of general equilibrium theory and a powerful disequilibrium model of the socialist economy;
- relics of the Yugoslav self-management thesis;
- the idea of entrepreneurial socialism á la Tibor Liska;
- new theories of the firm, business cycles, informal economy in an applied, reinvented, or further developed form.

These elements of knowledge were mixed with a changing interpretation of contemporary western capitalism ranging probably from Galbraith and Polanyi to Friedman and von Hayek. Moreover, the average economist in Central and Eastern Europe had to learn some history of economic thought as well, including chapters on new schools in economics. The quality varied of course between the official textbooks, the semi-official university seminars and the courses of the flying universities. True, these ingredients were combined in different proportions in Poland and

Romania or in Hungary and the German Democratic Republic (GDR). In principle, economists in the lucky countries of reform communism could construct rather consistent mixes by smartly selecting from the controversial supply of ideas. Ironically, another few years of real socialism could have probably helped complete the selection.

The very fact of the transformation, however, essentially reorganized the assortment. Actually, the macro-experiments of privatization, marketization, and opening-up to the world economy coincided with a deep recession under the combined pressure of the collapse of the socialist world market, global competition, and European integration. These powerful impacts would certainly have confused more coherent economic cultures than the one prevailing during the implosion of communism. The political effects ranging from the birth of new nation-states through the need for public policy expertise to the end of censorship in research and university education, and the abrupt changes in the sociological status of the theoretical economists (e.g., impoverishment of research institutions, the brain drain, temptation by the new business sector and politics) have further complicated the mind-set and the research programs of these scholars.

The transformation clearly devalued certain components of economic knowledge (e.g., textbook Marxism, market socialism, comparative economic systems) and revalued others (e.g., neoclassical synthesis and its institutionalist critique, comparative capitalism, international economics, development theory) in the region. At the same time, this rearrangement followed rather eclectic and accidental patterns determined partly by the day-to-day signals of the transformation itself, partly by current western fashions in economic science and the composition of the influential group of western advisors, and partly by the intellectual and political legacies of the respective countries. As a result, types of economic thought that were rather similar between the 1960s and the 1980s, such as the Czech, the Hungarian, and the Polish, began to diverge (compare the conflict between János Kornai and Václav Klaus).

In many cases, economists in the region had to rely on their instincts and improvise boldly in the lack of applicable ideas in

the West. Undoubtedly, while descending from the peaks of abstraction, up to a certain point they could easily borrow from the universal pool of economic thought. However, when it came, for example, to the extent and mode of privatization (and not to privatization as such), to the intricacies of anti-trust regulation, or to fine-tuning the welfare mix, they were lost in the labyrinth of uncertainties of their western colleagues.

The fact that Central and Eastern European economics rejoined the global history of economic thought in an era of general—postmodern, if you please—incertitude, at least as far as the scholarly messages about good regimes, procedures and policies are concerned, legitimizes a series of mixed solutions such as the Polish shock therapy with delayed privatization or the Czech voucher privatization with delayed stabilization. Maybe these are not life-long combinations. Benevolently, however, one can consider these hybrids genuine discoveries, even if they are not too nice (i.e., balanced, coherent) from a scientific perspective. The differences between these hybrids are assumed away by dichotomic interpretations, which put both transformation strategies in the same pigeonhole of neoliberal breakthrough to contrast them to a sort of postcommunist orthodoxy. The authors of such interpretations are usually not disturbed by the fact that stabilization policies were maintained by the postcommunists in Poland and mass privatization has not been renounced by the social democrats in the Czech Republic either. Yet, these are peculiar continuities, which result in even more complex hybrids.

Hybridization shows no sign of slowing the future. Social scientists in the region, in particular in Central Europe, have always taken pride in their skills for dissecting and reconstructing the most heterogeneous phenomena while writing the history of their lands. You do not have to love the hybrids. But you certainly cannot find them boring.