
New Course Economics: The Field of Economic Research in Hungary after Stalin, 1953–6

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We definitely have to stop speculating about theories believed to be perfect and, instead of making deductions, we have to contribute to the construction of a positive general theory of socialism through studying economic reality.¹

Introduction

The years between Stalin's death and the revolution of 1956 witnessed some of the most profound transformations in academic economics in the history of socialist Hungary. First of all, the economic-political aspirations of the post-Stalinian New Course brought about a thorough re-definition of the status and prestige of economic expertise and intelligence. The economic, political and social crisis of the early 1950s forced important sections of the Communist political élite to consider freeing the day-to-day political management of economic and social affairs from ideology and propaganda. Reliable statistical information, empirically founded social science expertise and intelligence readily and regularly accessible to the major policy-making bodies and individuals were now seen to be a matter of systemic survival.² This new attitude of the political élite towards the use and significance of social science knowledge created, between 1953 and 1956, a whole series of opportunities for politicians and for scholars themselves radically to reshape and restructure the field of economic research as a whole. The monopolists of political power provided for the establishment or re-establishment of important items of the institutional infrastructure of normal academic life resulting in a new set of committees of economics within the Academy of Sciences, in the resurrection of the *Közgazdasági Szemle*, the *Economic Review*, the only academic forum in print available to Hungarian economists, the publication of which was stopped in 1949, and in the establishment, in late 1954/early 1955, of a new academic research institute, the Institute of Economics of the Hungarian Academy of Sciences. These and other concessions made by the political powers were, of course, of great

¹ Péter Erdős, 'A tervgazdálkodás néhány elméleti kérdéséről' (On some theoretical issues of the planned economy), *Közgazdasági Szemle*, Vol. 1 (1956).

² Cf. György Péteri, 'The Politics of Statistical Information and Economic Research in Communist Hungary 1949–56', *Contemporary European History*, Vol. 2, no. 2 (1993).

significance. However, most important of all the changes initiated from above was certainly the re-definition of the epistemological regime prevailing in academic economics. In cognitive terms and in terms of the epistemological beliefs underlying the practices and institutions of policies over the domain of social sciences, the crisis of 1953–6 was a crisis of the radical class relativism of the high Stalinist era.

The Shift of the Epistemological Regime

The tendency characteristic of post-1953 developments as a whole was that class relativism was gradually losing the confidence and approval of political power itself. In leading bodies responsible for science policy, criticisms were voiced as to the dubious achievements of strictly class-based criteria applied to the recruitment to and promotion along academic careers.³ Official assessments made to identify the reasons for economics' 'lagging behind general development' revealed mechanisms that drove away the best talents from academic careers and emphasised the devastating effects of such features as 'dogmatism', 'the cult of personality', 'scholasticism', the lack of free debate, the lack of intellectual courage and the prevalence of short-term political interests, all so typical of the Stalinist academic regime.⁴

The importance of top-level political initiatives in eliminating the main impediments to, and establishing the preconditions of, a revitalisation of economic research could hardly be over-estimated. The political will and resolution to introduce profound changes resided by necessity in positions where the specific sorts and necessary amount of experience confirming the untenability of the old regime had accumulated. Power, political courage, imagination and a sense of responsibility were all necessary, but not satisfactory, pre-conditions to being able to bring about such changes. To be really motivated, one also needed to be convinced of the urgent need for reliable expertise in central economic management and of the desperate situation prevailing in economic research ever since class-relativism took control of the field.

³ A report, from April 1952, summarising the main achievements and problems of the first year of *aspirantúra* (the Soviet-type equivalent of the PhD), suggested that 'greater attention ought to be paid to talent and professional training at the [coming] entrance exams to *aspirantúra* courses. When it comes to extraordinary talents we should not bother that much about their social background. We have to win the talented youth to ourselves.' Minutes of the meeting of the Party Collegium of the Hungarian Academy of Sciences, 8 April 1952, 'strictly confidential', *MTA LT*, Papers of the President, 33/2.

⁴ See, e.g. the two reports sent by Béla Fogarasi, Rector of the University of Economics, to István Friss, on 25 January 1954: Tamás Nagy and Imre László, 'A közgazdasági tudományos munka lemaradásának főbb okai, s e munka fellendítésének lehetőségei a Magyar Közgazdaságtudományi Egyetemen' (The main reasons for the backwardness of economic research and the possibilities of stimulating research activity at the University of Economics), 28 August 1953; and 'A tudományos munka fejlesztésének kérdései a Marx Károly Közgazdaságtudományi Egyetemen' (Problems of the development of scientific work at the Karl Marx University of Economics), by the University Committee of the Hungarian Workers' Party, signed by Party Secretary János Illés, dated 19 Jan. 1954. Both documents are copies and held in *MKKE LT*, Papers of the Rector's Office, 4.doboz (1953/54), reg. nr.: 176/1953–54/R.

István Friss and the New Institute of Economics

In the light of these demands, István Friss was quite probably the person best qualified for the role of leading reformer of the academic regime of economics. As head of the economic policy section of the party's central committee, he ranked second only to Ernő Gerő in the hierarchy of the country's economic management. Between 1948 and 1954 he had to face day after day the grave problems resulting from economic policies informed by utopian projections and propagandistic maxims rather than by professional assessments based on a regular flow of intelligence. Simultaneously, he was also the chairman of the Standing (later Chief) Committee of Economics of the Academy and, as such, carried a great part of the responsibility for the field as a whole. Thus, he could not avoid becoming fully aware of the stagnation that had characterised the field ever since the Communist takeover.

Friss was certainly not a liberal reformer, especially not when it came to economic policies. The introduction of new course policies eventually cost him his position as section chief in the central committee, in October 1954. But the politics and intellect of Friss were much more complex and of a grander format than those of a 'normal Stalinist'. He was deeply aware of the crisis in state socialism experienced in the early 1950s, and he seems honestly to have believed that considerable improvements could be achieved in the efficiency of the system by placing the process of political decision-making upon scientific foundations. Indeed, to promote the development of those foundations was to become his life-time programme. Without dwelling on the merits and flaws of this programme, Friss has to be credited with a vital contribution to a change in the system of economic research during the period of thaw – a contribution that reached and radically changed the very core of academic culture: its epistemological beliefs.

The political intention to establish a new Institute of Economics had already been announced in early 1954. High-level party politicians considered the matter of such significance that they practically excluded the officials of the Academy from the preparatory work and from the major decisions concerning the Academy's new research institute. Late in July 1954, the leader of the central office of the Academy wrote to the administrative secretary of the IInd section: 'As to the Institute of Economics, the works of preparation ought to be started'.⁵ From a 'strictly confidential' internal note we understand, however, that even as late as 4 November 1954, conditions seemed to the functionaries of the Academy to be pretty chaotic.⁶ In the meantime, the design for the new Institute was developed by young Kálmán Szabó, under the careful guidance of István Friss and Andor Berei.

The proposal for establishing the institute was dated 5 November 1954, and was signed by Andor Berei (who had just left his position as head of the Section for Culture and Science in the Central Committee apparatus to take over the National

⁵ Béla Molnár to Klára Fejér, 30 July 1954, *MTA LT, II. oszt.*, 183/4.

⁶ Klára Fejér to President of the Academy, István Ruzsnyák, 4 Nov. 1954, *MTA LT, II. oszt.*, 1983/4.

Authority of Planning), István Friss and the President of the Academy, István Ruzsnyák. Together with proposals as to the director, deputy director and composition of the scientific council (the highest organ established to control the institute), the plan was discussed and approved by the Politburo of the Party's Central Committee on 10 November 1954.⁷

The plan emphasised that the Institute was to be established to boost economic research with the conditions of a socialist economy in the focus. The most important statement of the plan was the following:

The character of the research methods [adopted by the Institute] is in accordance with the nature of economic research and with the tasks of the Institute of Economics. That is to say, [the Institute] is to study the concrete events of our economic development and the connections between them, and will draw its theoretical conclusions from them.

Although only in a summary, embryonic and not entirely explicit form, this was the first statement to declare *empiricism as the fundamental methodological norm* upon which the renewal of economic research was to rely. To demonstrate that empiricism was the new component coming to replace class relativism in the epistemological core of new course economics, it is necessary to take a look at the further development and exposition of the principle in the years following 1954.

Empiricism triumphant

Launched in January 1955 as a knowledge producer, the Institute's strong policy orientation was from the beginning just as obvious as its firm conviction that serious social scientific knowledge can only be produced by meticulous empirical study. As one of the very first reports to the superior organs at the Academy put it, 'When defining the topics to be dealt with, we have to consider that scientific research should start out from a profound and many-sided analysis of the [empirical] material at [its] disposal even if the goal is to establish correctly the tasks for the future (e.g. the tasks of the second five year plan).'⁸

It also persisted in consistently avoiding the discussion of abstract and general issues. Instead, the projects pursued by the scholars of the Institute had to address so-called 'partial problems', by which they meant temporally, spatially and institutionally delimited areas and questions. Their view was that only through the careful study of minute details of the 'particular' could one hope to comprehend the 'general laws' of the whole:

We have to carry out a [great number of] many-sided research projects, based on the careful study of facts, which together will then make it possible for us to scientifically discover the

⁷ Formally the plan for the institute was a joint product of the Academy and the Central Committee Section for Science and Culture. 'Javaslat Közgazdaságtudományi Intézet létesítésére, 1954', *MTA LT, II.oszt.*, 183/1, and documents pertaining to agenda no. 6 of the 10 Nov. 1954, meeting of the Politburo of the Hungarian Workers Party, in *PLA*.

⁸ Beszámoló a MTA Közgazdaságtudományi Intézetének munkájáról (Report on the work of the Institute of Economics of the Hungarian Academy of Sciences), attached to the minutes of the managing board of the Academy's IIInd section, 5 April 1955, *MTA LT, II.oszt.*, 2/5.

economic regularities and laws of the society building socialism. . . . The road to a scientific solution of this great task leads through partial research [projects]⁹

A report written immediately after the Twentieth Congress of the Soviet Communist Party forcefully restated this research strategy:

In our opinion most of our topics were correctly chosen. These projects have not aimed at directly solving the central problems of the economy, nor have they focussed on the study of the broadest questions. They have to disclose such partial connections as would together result in the understanding of greater regularities and laws explaining the movement of the whole economy. The bulk of the projects aimed at producing monographic studies of fundamental questions in delimited areas, because *only in this way one can best ensure that the research should really be based on the concrete analysis of facts and that the conclusions should really be drawn from the scientific study of facts and not from preconceived abstract doctrines.*¹⁰

The profundity of the change brought about by the adoption of naive empiricism is well indicated in the relation of new course economics to the economic tenets of Communist ideology. In fact, the strong emphasis laid upon the methodological norm which only approves theories 'proven from the facts' was directed first of all against the axiomatic assumptions with which the ruling political-economic ideology operated. Hence the express preference shown for working with well-defined, concrete and 'partial' research projects. Everything else belonged to the realm of 'speculative generalisations' with which the Institute did not wish to deal. Of course, the Institute was heavily criticised for its neglect of the 'fundamental, theoretical issues of socialist economy', but István Friss showed little willingness to compromise on this point.¹¹

Significantly, the empiricist position had not only been confirmed but reached even greater maturity (in terms of a more explicit exposition) after the revolution of 1956. The first yearbook of the Institute, published in late 1957, carried a 'Preface' by the Director, István Friss. It is worth quoting this important document extensively. Friss gave a brief history of the establishment of the Institute, placing it in the background of the political-economic crisis of the Stalinist regime and the need for scientific expertise in economic management. Then, in connection with the original research programme of the Institute, he proceeded to say:

The principles adopted at that time have been serving as the guidelines of our research activities ever since. The principles themselves have not been invented or formulated by ourselves. These are the fundamental principles of all truly scientific research and, especially, of all Marxist, that is, materialist and dialectical research. We were compelled to restate them because of the unscientific methods widespread in economics. We have to declare war on all [sorts of] dogmatism. For years, the scientific work had been substituted for by quotations

⁹ 'Feljegyzés a Közgazdaságtudományi Intézet munkájáról' (Note on the activities of the Institute of Economics), [Autumn 1955], *MTA LT, II. oszt.*, 182/7.

¹⁰ Beszámoló a Magyar Tudományos Akadémia Közgazdaságtudományi Intézete munkájáról (Report on the activities of the Institute of Economics), March 1956, attached to the minutes of the IInd section's managing board, 8 May 1956, *MTA LT, II. oszt.*, 3/3 (emphasis added).

¹¹ See, e.g. Friss' response to the Stalinist critique of the Institute's research practices failing to undertake the study of the fundamental, theoretical economic problems of socialism. Minutes of the Managing Board of the IInd section of the Academy, 8 May 1956, *MTA LT, II. oszt.*, 3/3, 60–2.

from Marx, Engels and to an even greater extent, from Lenin and Stalin – the quotations were explained and elaborated on. This dogmatism went hand in hand with scholasticism. *Instead of studying facts and processes, they attempted, by merely thinking, to reach from correct principles to new insights.* This, however, resulted mostly in arbitrary constructions. Besides, it became a fashion and it pretended to be science, to back up and justify, *post festum* and using scientific language, the measures and resolutions of the Party and government, again, with the help of quotations taken from Marx, Engels and, especially, from Lenin and Stalin. We have radically abandoned this pseudoscience. From the beginning, we have regarded it as our task to do research in the practice of our economy. *We strove conscientiously to gather facts, possibly all the facts relating to the various phenomena, and to study these [facts] exhaustively considering all their possible connections in order to be able to come to more and more exact inferences concerning the inherent connections, regularities, movements and conditions of development of the phenomena and processes.* We did our best to consider everything that had been written about the phenomena under study (or about phenomena related to them) by researchers (especially by Marxist researchers) before us. But *we have never regarded anyone's statements as sacred, [especially not] if they weren't confirmed by carefully made factual observations. In one word: to the best of our capabilities, we have worked scientifically.*¹²

Instead of a matter of the scholar's class affiliation, the cognitive value of knowledge-claims was now seen as a function of their empirical foundations: theoretical propositions had to be supported or proven by 'objective facts'. The epistemological beliefs characterising new course economics were the ideals of a naive empiricism rather than those of modern critical positivism. An indispensable *political pre-condition* for the new empiricist orientation, however, was the understanding that no institution of the existing socialist economic system could be made an exception from under the economist's critical scrutiny and such an understanding, of course, had to be sanctioned by the political power. Thus, when the team of Péter Erdős launched their project described as a 'research of the facts' with the 'working hypothesis' that maintained 'a radical reform of our methods of economic management is possible and necessary',¹³ they exhibited just as much, or rather more, *political* as *intellectual* courage by targetting a central axiom of the economic ideology of high Stalinism (the one according to which the prevailing institutional order could not be reformed without dismantling socialism as a whole). A more general formula for this political pre-condition, combined with a statement in favour of careful 'inductive generalisations' proven by facts, as against speculative generalisations based on uncontrolled axiomatic assumptions, is found in Tamás Nagy's presentation of the Institute's activities:

The various forms and institutions of socialist economy, the methods of planned [economic] management are very young and, as yet, they cannot be regarded as fully developed. In many

¹² István Friss, 'Előszó' (Preface), in *A Magyar Tudományos Akadémia Közgazdaságtudományi Intézetének Évkönyve I. 1957* (Budapest: Akadémiai Kiadó, 1957), 7–8 (emphasis added). The manuscript of the book reached the printing office on 4 Nov. 1957. The empiricist core of the research programme was confirmed even in the Institute's report delivered only a month before the high-level disciplinary party investigation into the economists was concluded. (Cf. 'Jelentés' (Report), dated 3 Feb. 1958, *PLA*, 288.f, 33/1958/19.őe. The report was prepared for the investigation committee led by István Tömpe, themselves reporting to the Secretariat of Kádár's new Communist Party in March).

¹³ Péter Erdős, 'A tervgazdálkodás néhány elméleti kérdéséről' (On some theoretical issues of the planned economy), *Közgazdasági Szemle*, Vol. 1 (1956) 678.

cases it cannot be seen quite clearly which of the given, existing connections belong to the essence of the socialist economic system and are objective in this deeper sense of the word, and which of them have simply to do with the concrete form of the system's realisation, thus being only in a more superficial sense of the word objectively given. In such circumstances, a considerable part of the great generalisations has necessarily little content or is not proven enough, they are of speculative character and their validity is contingent. . . . In the given situation, it seems more justifiable for an economic research institute to deal first of all with the research of the facts, with the critical study of the prevailing conditions, than to devote itself to speculative generalisations on the basis of existing literature and a superficial knowledge of the facts.¹⁴

The central methodological norm was to proceed gradually from carefully observed facts to generalisations of ever broader validity – just as in the ideal science of the seventeenth-century Enlightenment: ‘One had to start from indubitable factual propositions from which, by gradual valid induction, one could arrive at theories of ever higher order. The growth of knowledge was an accumulation of eternal truths: of facts and “inductive generalizations”’.¹⁵

The relationship between the epistemology of new course economics and its almost 300-year-old source of inspiration (the physics of Galileo and Newton) was also manifest in the frequent use of analogies with the development of and references to the scientific norms and ideals of classical physics. György Péter, for example, acting as chairman of the discussion on János Kornai's dissertation for the degree of ‘candidate of science’, praised Kornai's work in the following manner:

I used to study physics, and we were told that in physics true science started with Galileo. [Everything] that was before him was speculation, inventing things. It was Galileo who, in physics, took to the yard-stick, the clock, the weight and started to measure things. And this is how the history of exact sciences started. Somehow, I am reminded of this by the objectivity exhibited in the dissertation, by the honest, unemotional way of dealing with things: this is so, that is so, [Kornai] places the phenomena under a microscope, he dissects them and describes what he sees.¹⁶

Just as class relativism was the very essence of Stalinist academic culture, with all its disastrous consequences for the social sciences (and some fields of the natural sciences, too), the adoption of naive empiricism constituted the most central and most important single development in the emergence of the set of intellectual, social and political phenomena that in Hungary later on came to be called ‘reform economics’.

¹⁴ Tamás Nagy, ‘Az intézet munkája és közgazdaságtudományunk feladatai’ (The activities of the Institute and the tasks of our economic science), *The 1957 Year Book of the Institute of Economics* (Budapest, 1957), 18. Professor Nagy was appointed chief for the ‘General Theory Section’ of the Institute.

¹⁵ Imre Lakatos, ‘Changes in the problem of inductive logic’, in his *Mathematics, Science and Epistemology. Philosophical Papers*, Vol. 2, ed. J. Worrall and G. Currie (Cambridge: Cambridge University Press, 1978), 131.

¹⁶ Minutes of the public disputation of János Kornai's candidate of science dissertation, 24 Sept. 1956, 11. Even one of the opponents of the dissertation, Miklós Ajtai, used the early development of physics as an analogy in describing the state of the art prevailing in Hungary's newly born (or, rather, reborn) economics. Typescript of Ajtai's opposition dated 22 Sept. 1956, 9. I am indebted to Professor Kornai for having provided me with a copy of the unpublished typescript of the minutes and of the opinions of his opponents.

Empiricism and the Politics of Academe

As against class relativism, the intellectual and political-ideological potential of this naive empiricist economics was enormous. It provided legitimate foundations for the separation of science (research) and politics (ideology and propaganda). The gulf between economics and political economy, an important feature of Hungarian economic thought throughout the Kádár era, was in fact rooted in that separation.¹⁷ Remaining under the control of the agitprop apparatus of the Party (and the Chief Section for Marxism-Leninism of the Ministry of Education), the university departments of political economy came to be the ‘citadels’ of leftist dogmatism where the political, ideological service of the ruling Party was paramount in any scholarly intellectual interest and motivation. The sector as a whole had got stuck in the dead end of class relativism. Naive empiricism, on the other hand, promised to restore economics as ‘science’ by allowing it to be an ‘uncompromising pursuit of truth’. In an article assessing the impact on economics of the Twentieth Congress, Friss suggested that economics was on its way to becoming again ‘Marxist research which – as with all truly scientific methods – is characterised, among other things, by the premise that it knows of no authority in its search for truth’.¹⁸

Naive empiricism gave a beneficial push towards the secularisation (de-ideologisation) and re-professionalisation of the concept of competence. It made economics a *research* field, an academic *enterprise* where one could only excel by virtue of gathering and disclosing new facts and establishing and identifying unknown connections, regularities between them. All this, however, did not mean abandoning Marxism. On the contrary, the whole empiricist renewal was presented as a return to the genuine Marxist methods. As we have just seen, this was the light in which István Friss presented the Institute’s norms concerning method. Kálmán Szabó’s article, summing up the ills of economics and the suggested cure for them, also made use of the authority of the ‘classics’, stressing that ‘as it is very well known, the classics of Marxism reached all their theoretical statements through processing an enormous amount of facts and experience organised systematically by research’.¹⁹

Only by restoring it as science, at least in the naive empiricist sense, could economics become a politically-socially useful intellectual endeavour. Empiricism was, in this connection, a delimited domain of freedom offered by the politically powerful to the economists, whose expertise was expected to underlie economic policies and institutional development, a domain of freedom that proved, most of the time, well protected from interference from the agitprop apparatus. In exchange, however, economics had to remain strongly policy- or ‘practice’-orientated and free from the influence of ‘bourgeois theories’. All the documents pertaining to the

¹⁷ On the structure of the intellectual field of Hungarian academic economics see my ‘Controlling the Field of Academic Economics in Hungary, 1953–1976’, *Minerva*, Vol. 34, no. 4 (1996).

¹⁸ István Friss, ‘A műszaki fejlesztés és a közgazdaságtudományi kutatás feladatai’ (Technological development and the tasks of economic research), *Közgazdasági Szemle*, Vol. 7–8 (1956), 786.

¹⁹ Kálmán Szabó, ‘A közgazdaságtudomány fellendítéséért’ (For the revival of economic science), *Társadalmi Szemle*, Vol. 4 (1954), 55–6.

activities of the Friss Institute of Economics, the original proposals for the establishment of the Institute as well as their annual and longer-term research plans, strongly emphasised the orientation towards economic political practice, which was regarded as being just as important as the move from 'speculative generalisations' to empirical research. In the words of Péter Erdős, the central concern of economic research was 'to study what benevolent or harmful tendencies, regularities result from our economic institutions. We have to investigate what sort of *change* in our institutions would help most in actually exploiting the enormous potentialities springing from socialist ownership.'²⁰ This central *Problemstellung*, which in the 1980s was christened the 'economic mechanism paradigm',²¹ proved to be attractive enough for that young generation of Communist scholars who, although increasingly keen to establish and preserve a greater degree of intellectual autonomy after their disillusionment and alienation from the Stalinist regime, still retained a great deal of their utopian attitude and *élan*.

The Significance of Anthropological Method

New course economics meant a new academic regime striking a happy medium between the ideological and the practical needs of the political authority in another respect. Due to its inability to cope with theoretical knowledge, naive empiricism as the methodological basis of new course economics helped postpone by about thirty years the re-integration of Hungarian economic thought into international scholarship. The aversion of new course economics to all sorts of abstract theorising was double-edged. It dismissed not only the 'speculative generalisations' of Stalinist economic ideology, but also all theoretical traditions of the history of economic thought. The 'theory' offered by Stalinist political economy consisted of a set of sterile ideological constructs, such as 'the fundamental economic law of socialism' or 'the law of distribution according to work'. The remainder, that is, 'bourgeois' economic thought, including neo-classical economics, was regarded as irrelevant when it came to socialist conditions and therefore it was considered to be a waste of time to pay attention to it. Even at the very peak of the new academic intelligentsia's revolt, that is, the series of discussions arranged by the Petöfi Circle, the re-integration of Hungarian economics into international scholarship was hardly alluded to. János Kornai was by far the most radical in this respect, as he was the only one who did at least raise the question 'Is it correct to call all the bourgeois

²⁰ Erdős Péter, 'A tervgazdálkodás néhány elméleti kérdéséről' (On some theoretical issues of the planned economy), *Közgazdasági Szemle*, Vol. 1 (1956), 676.

²¹ Cf. László Szamuely, 'Negyedszázados vita a szocialista gazdaság mechanizmusáról Magyarországon' (A quarter century debate on the mechanism of socialist economy in Hungary), editorial introduction to *A magyar közgazdasági gondolat fejlődése 1954–1978: A szocialista gazdaság mechanizmusának kutatása* (The development of Hungarian economic thought, 1954–1978: Research into the mechanism of socialist economy), (Budapest: Közgazdasági és Jogi Könyvkiadó, 1986), 9. For a critical assessment of the 'mechanism-paradigm', see Aladár Madarász, *Új paradigma felé? (Egy fejezet a szocialista gazdaságelmélet történetéből)* (Towards a new paradigm? A chapter from the history of socialist economic theory), manuscript (1984).

economists and [their] theories who came after Marx vulgar? Is our method applied in education stressing exclusively the deficiencies, limits and malevolent distortions [of bourgeois economics] correct? What [parts] of it could we use and how should we deal with them?, Tamás Nagy's answer was as follows:

To call the whole of bourgeois economics vulgar is basically correct in the sense that the apology of capitalism is overwhelming in this [sort of] political economy. This must not be confused with the issue of whether it is correct to talk only of the mistakes of bourgeois economists. Our manner of dealing with their mistakes is vulgar, too. I cannot say what we could learn from them. For years now we have got out of the habit of seriously studying [the works of] bourgeois economists. What use to make [of them] is a hard problem. The mathematical school, for example, has done very good research into the interrelationships of demand and supply and prices.²²

Indeed, the 'habit of seriously studying' what 'bourgeois economists' had to say had never been resumed during the reign of state socialism in Hungary. After 1964 it was taken off the list of 'criminal acts', but it was not sanctioned as 'normal conduct' on the part of an economist. Undergraduate students were offered only a Marxist assessment by Antal Mátyás,²³ but they had been neither expected nor encouraged to read the original works and to keep themselves informed of recent developments and discussions in Western economics. The same applied to the post-graduate level and to the research economists themselves.

A low theoretical profile, and especially the emphasis on the 'peculiarity of socialist conditions', allegedly frustrating anyone trying to apply the concepts and questions of Western economics, have been the contributions of naive empiricism to an increased political ideological feasibility of new course (or reform) economics in the conditions of state socialism. Indeed, the ideal scholar of this new economics was happily (and purposefully) ignorant of (or indifferent towards) theories. His efforts to achieve 'inductive generalisations' were hardly in need of being informed by any (necessarily 'preconceived') theoretical considerations. Within the framework of naive empiricism, theory as a 'body of substantive hypotheses', the validity of which is tested through comparing predictions with experience, does not make sense. Even theory as a language, i.e. as a logically complete and consistent set of tautologies serving to organise the empirical material,²⁴ was to come from the 'reality' observed and not from anywhere else.

New course economics therefore bore much more resemblance to economic

²² 'A marxista politikai gazdaságtan időszerű kérdéseiről és a második öt éves terv irányelveiről' (On the present problems of Marxist political economy and the directives of the second five-year plan), Protocols of the debates arranged by the Petöfi Circle, 9 and 22 May 1956, in András B. Hegedűs and János M. Rainer (eds), *A Petöfi Kör vitái hiteles jegyzőkönyvek alapján, I: Két közgazdasági vita* (Budapest: Kelenföld Kiadó-ELTE, 1989), 39, 57.

²³ Its first publication in book form came out in 1973. Antal Mátyás, *A modern polgári közgazdaságtan története* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1973).

²⁴ I am deliberately using here the language of Milton Friedman's influential essay 'The Methodology of Positive Economics', which was published (without having been noticed in Eastern Europe) just about the time when new course policies were started; in Milton Friedman, *Essays in Positive Economics* (Chicago: The University of Chicago Press, 1953), 3–43.

anthropology and historiography than to the common idea of economics prevailing at the time in the Western world. It was concerned first of all with fact-finding and correct description. It was primarily interpretive and was less interested in generalising. It understood its call on the basis of the historical novelty of the socialist economy – an economy the actors, institutions, typical events, facts and processes of which had hardly been given names. The first attempts to make the working of this New World intelligible, therefore, concentrated on the *language* of the practical economic life of socialism and, of course, on the *meanings* carried by it. That is to say, the leaning of new course economics towards economic anthropology was not only a function of its naive empiricist beliefs. It was partly a necessity springing from a ‘reality’ understood still to have been in a fluid state, apparently not yet mature and sufficiently crystallised to generate standardisable statistical data and thus to lend itself to studies of the formally more rigorous, hypothesis-testing sort. This is an indispensable part of the explanation why the economics of this revisionist revival gives almost the same impression as life sciences at the early ‘morphological’ stage of their development. The latter was described by Sir Frederick G. Hopkins, one of the founding fathers of biochemistry, as follows:

In the history of all science which has dealt with living organisms a natural sequence may be traced. There is first the purely descriptive phase with the morphological studies which ultimately tempt efforts of classification. Then comes the study of function and the endeavour to correlate function with structure. Later the nature of the materials which support structure and form have received attention, and later still, the endeavour has been made to follow the dynamic molecular events which underlie all displays of active function.²⁵

Indeed, the bulk of the efforts of new course economics hardly went beyond the attempt to provide a ‘morphology’ of socialist economic institutions.

From the nature of the subject matter and of the sources pertinent to it springs also the importance attached to personal observation – a feature so clearly pronounced by a report of the Friss Institute from early 1958:

The raw material for us is the reality of economic life. Until recently, however, it has been hermetically closed to researchers. Here we are talking not only of statistical data, the great bulk of which was classified as secret and was inaccessible to economists, but also of *the direct observation of the reality behind the statistics: the activities, problems and plans of the leading organs and companies*. Well before the present very favourable practice of regular statistical publications started and when almost all data were secret, the leadership of our Institute had been able to secure, and indeed had secured, access for its members to the materials necessary for their projects. The professional prestige of our director and our section chiefs gave enough weight to the Institute to ensure that the leading organs and companies revealed for the research all that is not contained by statistics but is necessary for the economist to know in order to be able to reach correct inferences.²⁶

When it comes to the method of anthropology, a case in point is the most celebrated and most characteristic work of the new course era, János Kornai’s

²⁵ Sir Frederick Gowland Hopkins’ presidential address at the anniversary meeting of the Royal Society in November 1934, *Proceedings of the Royal Society*, Vol. 148 (1955), 24–5. Quoted by J. D. Bernal, *The Social Function of Science* (London: George Routledge & Sons Ltd, 1939), 67.

²⁶ ‘Jelentés’ (Report), 3 Feb. 1958, *PLA* 288. f., 33/1958/19. ö.e., 8 (emphasis added).

Overcentralisation of Economic Administration.²⁷ David Granick was one of Kornai's contemporary Western readers and he made in his review of the English edition some acute observations on the methodology embodied in the book: 'The approach is basically a fact-finding one, and Kornai's view of the problems is that of the administrators with whom he talked – rather than that of most academic Marxist economists [emphasis added].'²⁸

'Participant observation', i.e. generating relevant data concerning a culture by watching it from a 'native point of view', is the basic research method applied by anthropologists in their field-work. The style of thought, the approach, the methods represented by Kornai's book constituted for a long time to come the model for a great part of economic research in Kádárist Hungary. In 1980, upon the publication of the *Economics of Shortage*, I heard in Budapest several economists of various generations maintaining that *Overcentralisation* had been Kornai's best work. A new edition of the book has recently been published in Hungary with a new preface by the author. Kornai admits there that, compared with the knowledge of a contemporary PhD student of economics at any Anglo-Saxon university, he knew practically nothing about economic theory when writing the book. As he himself describes it, he was 'working instinctively: I did not use any other analytical instrument than the interpretation of elementary statistical data, the observation of individual cases, the words of the participants of economic events and their confrontation with one another'.²⁹ Nevertheless, the method of ethnography seems to have been a deliberate choice of the Theory Section in the Institute:

The method of the research is to study *directly* the technique of the practice of planning at the companies, at the superior authorities of the companies, including the National Authority of Planning, partly by personal observations and partly with the help of working teams consisting of specialists employed at the companies and at higher levels.³⁰

These working teams were groups of informants: managers and ministry officials who, through a series of meetings with researchers, helped the latter gain a better understanding of the everyday reality of economic life. In his preface of January 1957, Kornai himself stressed the 'particularly important role of direct observation' combined with repeated 'many-sided consultations, conversations with specialists and practical leaders of economic life'. He came to his insights by way of an open-minded 'listening to their [the informants'] experience' and comparing their views and experience with one another.³¹ A considerable part of the material he was to

²⁷ János Kornai, *A gazdasági vezetés túlzott központosítása* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1957). The book was Kornai's dissertation for the degree of *kandidátus* (PhD), which was granted after disputation in Sept. 1956. English edition trans. John Knapp, *Overcentralization in Economic Administration* (Oxford: Oxford University Press, 1959).

²⁸ The review was published in *Soviet Studies*, Vol. 11, no. 4 (1959), 421.

²⁹ János Kornai, 'Preface to the Second Edition', *A gazdasági vezetés túlzott központosítása* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1990), ix–x.

³⁰ Report on the activities of the Institute of Economics for the year 1955 (dated 11 Feb. 1956), enclosed to Mrs Tamásné Kenesei to Klára Fejér, 22 Feb. 1956, *MTA LT, II.oszt.*, 183/7.

³¹ János Kornai, *A gazdasági vezetés túlzott központosítása. Kritikai elemzés könnyüipari tapasztalatok alapján* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1957), 4.

write up had taken the form of 'field-notes' registering his observations made during the interviews and team discussions. In accordance with the above, Kornai finds today that, in terms of its 'fact-finding' method, the book was done in the spirit of the 1930s 'rural sociology' (*falukutatás*) in Hungary,³² which, in turn, is a Hungarian relative of the Chicago school of urban ethnography.

It could be shown that one sort of 'field-work' or another was an important common experience of the upcoming revisionist economists on the whole front of re-emerging economic research. At this point we only wish to stress that, while in obvious harmony with its naive empiricist epistemology, the dominance of ethnography among the research methods of new course economics was also a matter of an objective constraint arising from the lack and/or inaccessibility of statistical and other information about the economic process.³³ While the (highly personal) ethnographic mode of acquiring empirical information (of necessarily individual character) has remained with Hungarian economic research as a major methodological feature throughout the last forty years, the lack of standard statistical data before 1955/6 made the option of a theoretically informed hypothesis-testing mode of research almost impracticable. The prevailing controls of information, in addition to the susceptibilities of the ideological monopoly position of Marxism-Leninism and to the profound suspicions of naive empiricism against all 'speculative generalisations', carried part of the responsibility for the isolation and provincialism that continued to characterise economic research even after its revisionist revival.

Gyepsor: The Corridor of Empiricist Revolt

No other single academic institution had so important a role in bringing about the empiricist revival of economic thought as the Academy's newly created Institute of Economics. The very establishment of the Institute was a triumph of the new empiricist research programme emerging in open opposition to the class-relativist political economy. From 1954 on, no socially politically informed understanding on the whole or any segment of Hungarian economic thought is possible without due consideration of this fundamentally bipolar structure of the academic field. Institutionally, the recurring conflicts and rivalries between the Karl Marx University of Economics and the Institute of Economics of the Academy were only one aspect of this division.³⁴ The intention here is to describe and explain the emergence of the

³² Introduction to the 1990 edition, p. x.

³³ Cf. György Péteri, 'The Politics of Statistical Information and Economic Research in Communist Hungary, 1949–1956', *Contemporary European History*, Vol. 2, part 2 (1993), 149–67.

³⁴ This is not to suggest that all the departments of the university and all the activities pursued there were inspired and controlled by the class-relativist position. There have always been individuals or groups of researchers active at the university who not only in their scholarly work but also in their teaching saw to it that the liberatingly fresh air of empiricism entered the building by the Danube which was otherwise permeated by the odours of cabbage soup emerging from the canteen. The *loci* of exception were the Department of Finance, the Department of Economic History and, especially, the Economic Policy Research Group attached to the Department of Macro-economic Planning (significantly, this group was established in the early 1970s and led by Antal Máriás, a former member of the

empiricist position within the field, the position from where the major heterodox challenges to the official orthodoxy of Marxist–Leninist political economy of socialism originated. This concluding section will be devoted to an exploration of the social ground that proved so receptive to and, indeed propelled the cause of, the empiricist research programme. To put it more concretely, the concern hereinafter is with the social and political constitution of the most important single group of economists who are to a great extent to be credited with the empiricist breakthrough and who, within a short period of time, turned the Institute of Economics into what, in the eyes of the party's agitprop apparatus, was the seat of a 'purulent abscess'.³⁵ Of course, the group itself was far from being a homogenous formation. One important line of division was hierarchical: it went between the leaders (director, deputy director and section chiefs) and the young research associates of the Institute. It should be emphasised that the role of some personalities in the former group, the role of such high-ranking politicians and political economists as István Friss, Tamás Nagy or Péter Erdős, was crucial in initiating and bringing about the move towards an empiricist epistemological regime. They acted as patrons, protectors for the field as a whole and for their Institute especially. They acted as a vital interface between the professionally orientated segment of economics and the ideological core of state socialist economic thought (the political economy of socialism). Their and especially István Friss' role in mediating between the field and the top political leadership of the country must not be overlooked if one is to understand the relative autonomy, stability and international visibility achieved by economic research in Hungary. For reasons of space, however, concentration will be on the young rank-and-file members of the Institute. After all, it was these young research associates of this early period upon whose changing politics, attitudes, preferences and inclinations the success of the empiricist research programme depended. It was their activities that earned the Institute its pivotal position within the field in a few years' time after 1954. Without their active part in seizing the opportunities offered by the new political climate and by the transformation of the academic regime, the Institute would have certainly failed to exercise any significant impact upon the intellectual and political structure of academic economics in Hungary.

The Sociology and Politics of the Party-soldier Intellectual

These young people entered the post-1948 era of unrestricted Communist rule with great optimism about and high expectations of the new society to come and their

Friss Institute). But the university as a whole was rightly considered to be a major bastion of the conservative Left, politically as well as ideologically, which made it an institution hardly conducive to initiating and sustaining high-quality or, indeed, any interesting research.

³⁵ Erzsébet Andics, head of the Central Committee's Section for Science and Public Education, was said to have used such epithets for the Institute. The 'purulent abscess' has been mentioned by two of my informants (András Nagy and Róbert Hoch) and was also mentioned in the report by State Secretary and Central Committee member István Tömpe to the Secretariat of the Central Committee on the findings of the 1957–8 Party investigation into the Institute. 'Jelentés a Közgazdaságtudományi Intézet munkájáról', 14 March 1958, copy, *MTA LT, II.oszt.*, 182/9.

own role in it. Their relation to their Party (its leadership) was one of unfailing loyalty. Indeed, they tended to identify themselves as soldiers of the Party, determined to attain personal happiness and virtue by compliance and voluntary subordination. They advanced into positions of responsibility and competence (which they usually lacked to begin with), filling the vacuum created by purges in the academic and white-collar professions. It was of them that Rákosi said in 1947:

In spite of our 700,000 members, there is an enormous lack of cadres. . . . We may take it for granted that the lack of cadres will stay with us for the coming few years, simply because the tasks to be taken care of by the Party grow faster than the size of the Party and of our body of cadres. . . . how should the Party, under such circumstances recruit the cadres? . . . By resorting courageously to new forces and to the youth.³⁶

The young Communist intellectuals recruited to the Friss Institute in early 1955 represented a generous sample of the upcoming generation of researchers whose impact had been so decisive upon what economics was to become in socialist Hungary after Stalin.

Before 1954/5, some of them occupied positions outside academe. Among these we find the economic editor of the party daily *Szabad Nép* (János Kornai) and the secretary of the President of the Hungarian People's Republic (Ferenc Fekete). Two others worked in industry while studying economics at evening classes at the University of Economics. But the majority had already started their academic careers when the Friss Institute was launched. They came from the department of political economy of the University of Economics (Róbert Hoch), from the department of industrial planning of the Budapest University of Technology (Antal Máriás), or from the former Institute of Agricultural Organisation of the Ministry of Agriculture (Béla Csendes and others). The staff of the Friss Institute was recruited gradually in the course of 1955–6.

There is a list from 1956 of the Institute's employees disclosing the occupation of their father.³⁷ In Table 1 of the Appendix, I have included only the scientific members of the institute from the director down to the research assistants. I have complemented the data by adding three cases of whom two did not figure at all on the list, while the third was listed without naming the father's occupation. The social composition of the Institute was slightly less favourable, from a class relativist point of view, than that of the whole doctoral student body at the Academy of Science. But it was worse only in terms of lower representation of members with worker and peasant backgrounds, while the share of children of intellectual fathers was actually higher in the PhD student body as a whole than in the Friss Institute. Comparing the institute's staff with the PhD student body within the social and historical sciences only, the result for the Institute presents an even less favourable picture, in terms of class relativistic criteria: the gap between the presence of the

³⁶ Mátyás Rákosi, 'A kádernemű és a kommunista magatartás. Előadás a kádervezetők tanfolyamán 1947. május 6.-án', in Mátyás Rákosi, *A fordulat éve* (Budapest: Szikra, 1948), 12–13.

³⁷ 'Közgazdaságtudományi Intézet dolgozói' (Employees of the Institute of Economics, listed by rank/position, disclosing father's occupation), 1956; part of the list is handwritten, the rest is typescript, *PLA*, 276 f., 91/102 öe.

worker and peasant category in the PhD student body and their presence among the members of the Institute is more pronounced than in the former case, while the share of members from an intellectual background seems to be higher among the Institute's staff (see Tables 1–3 in the Appendix). However, a comparison with the aggregate data covering the scientific staff in Hungarian higher education as a whole gives the institute an obvious advantage within a class relativistic regime: the statistical chances for a professor in Hungary's universities and colleges to have come from an intellectual background were much higher (and to have come from a worker or peasant background were much lower) than the same chances were for a member of the Institute of Economics (see Table 4 in the Appendix).

Workers' and peasants' children constituted hardly more than a quarter of the scientific staff. István Friss, Deputy Director Ferenc Donáth, Deputy Section Chief Lóránt Nagy, Sándor Ausch, György Enyedi, Judit Szánthó and Róbert Szücs were the people whose backgrounds were not disclosed by the list. We may therefore safely assume that any reduction of the 'Unknown' category by further identification of social backgrounds would not increase the presence of 'Workers and Peasants' among the scientific staff. In terms of party membership, however, the staff of the Institute was well above the levels exhibited by both the professoriate and the scientific staff as a whole within Hungarian higher education. While in the Institute's case the share of Party members was certainly at least around (or, rather, above) ninety per cent, it was considerably under forty per cent among the ranks of the Hungarian professoriate (see Table 5 in the Appendix). Even the scientific staff employed in Hungarian higher education as a whole amounted to only thirty-seven per cent Party members (with the conspicuous, though understandable, exception of the departments of Marxism-Leninism – among them, the departments of political economy – where almost ninety per cent of the staff were members of the ruling Communist Party).

The junior research economists were without exception Communists, joining the Party most often immediately before or after the war. Prior to 1949–50, practically none of them had any doubt as to the cause represented and the policies pursued by their Party. They were the most disciplined soldiers of the Party on the 'front of intellectual life' (or on some other 'fronts'). A few of them came indeed from the poor social circumstances of industrial worker or peasant families. But the majority had intellectual and/or lower middle-class backgrounds. They were from families where, by tradition, learning had been highly valued. Even if they knew little of economics as such, it presented no problem for them to acquaint themselves with the basic works of Marxism-Leninism. They would often be able to speak and/or read in one or two foreign languages (a final exam in an average gymnasium of the Old World implied that one could at least read German). Taking a degree at the new University of Economics was so small a burden for them that they, simultaneously with their studies, could undertake the teaching of various subjects to their class-mates. It was from among their ranks that the 'assistant librarians' and 'demonstrators' were recruited to the new under-staffed departments of the University of Economics. Their belief in and loyalty towards the Party and its

leaders was unlimited and resolute. Communism seemed to them the only effective cure (because of its radical nature) for a profoundly sick society that not only tolerated racial and religious discrimination but also was capable of producing such horrors as the Arrow Cross rule and the Holocaust. As with almost all the senior economists, a considerable part of the junior group as well was of Jewish origin, and though they came from environments which had been entirely assimilated (*magyar*) for a long time and secularised, they could not but be affected by the experience of the recent past. The Party which acted most swiftly, radically and resolutely in doing away with the old regime, and which promised the fastest march towards a society free of all discrimination and injustice, was an obvious choice for them. And the Communist Party leadership was eager to rely on them and to make use of them: 'Those young comrades who, one way or another, seem to be fitting for scientific work – urged the party's Committee of Science in September 1948 – should be brought into the university departments . . . by creating places for them through additional budgetary support'.³⁸

Indeed, the Hungary of the second half of the 1940s and early 1950s must have been a land of promise and opportunities for young Communist intellectuals. Inexperienced and untrained as many of them were, it did not seem to make a great difference for them what sort of career they got involved in. Upon the Party's call, they were ready for swift advances into the vacant positions in the emerging new bureaucracies of state socialism as well as at the universities, in the press, or in Gábor Péter's much feared State Security Authority. Those who happened to be in sufficient proximity in 1948–9 to economics (and that could mean anything from being a student at the university's normal or evening courses to having taken a 'degree' on the two- or four-month Party school course 'specialising' in political economy) could safely count upon a position and upon the opportunity of a rapidly ascending career within the new academic regime of economic research.

One of them told the author of the circumstances in which he began his career as an economist in 1948.

In fact, I started flirting with Marxism already before the liberation [from Nazi-German occupation in 1945]. I became a member of the [Communist] Party in 1945 and started seriously studying Marxism and carried out propaganda work. It has to be admitted that, at that time, even [the alternative of] becoming a philosopher was open for me. From 1945 I regularly went to the lectures of László Rudas which had a tremendous impact on me. . . . But the direct push was given by the [Communist] Party committee of the Vth district [in Budapest]. They called in some of us, young MADISZ-members [Communist-controlled youth organisation], in the summer of 1946. [We had several such conversations.] We were told to choose between various alternatives. On one of these occasions I chose [to work at] the [foreign trade] company of the Party. . . . It is interesting to note that the other alternatives were as follows: police, military, state security police . . . [at the time] when we were called, the task of the *AVO* [State Security Authority, the Hungarian KGB] was to detect fascists. That was an enormously attractive task. But one who then entered that [organisation] could hardly leave before the Rajk-process and, then, he could no longer be master of his own life. I

³⁸ Report of the Committee of Science of the Communist Party, n.d. [Sept. 1948], *PIA* 690.f., 3.öe.

have to say that my luck was that my fiancée told me to choose: either her or the armed forces. . . . A further push [towards economics] was given by the fact that I was enrolled in the evening course at the economic faculty of the University of Technology organised by the Communist and Social-democratic Parties in 1946. I was happy to undertake these studies. Early in 1948, my [foreign trade] company told me I would continue to get my full salary from them and I could go over to the normal 'morning' courses at the university. . . . [Then] I met Tamás Nagy [entrusted by the party to reorganise the faculty of economics], partly as a representative of the 'evening' students, and partly because [my] party company recommended me to him, that I would be an excellent choice as a colleague in his [political economy] department. Thus, when I started [as a student at the new University of Economics] I immediately started [as a member of] Tamás Nagy's department.³⁹

Rákosi's Stalinist regime exploited their enthusiasm and grossly misused their loyalty. Yielding to the pressures one was exposed to under the classical (Stalinist) version of state socialism meant joining the gangsters and becoming one of them. The people we are concerned with here were lucky enough and/or had the necessary strength to preserve a minimum of self-respect and moral integrity. But they could not avoid the humiliation of complicity. Fortunate circumstances and/or their moral strength enabled them to offer resistance to, and face conflicts with, what they used to value over and above everything: their Party and the cause of Communism. But the conflict came, as a rule, too late to save them from sins of omission and commission and from the personal crisis they had to undergo when fully realising the moral implications of the monstrous enterprise in which they had engaged themselves with much enthusiasm and to which they had given their name and talents.

Conflict with the Party, Moral Crisis and the Ethic of Revisionist Opposition

For these people, the New Course era starting in mid-1953 made it possible to find a fragile but feasible solution for what by then had proved to be the fundamental tension in their lives – between the need to assert, through resistance, their personal integrity *without* thereby having to compromise the historical project of socialism, to betray the avant garde of that project, the Communist Party, or to make themselves outlaws in the eyes of the political power that was unable to accept organised or outspoken opposition.

By the time the New Course era started, many of these young Communist intellectuals had come into conflict with their Party and its Stalinist leadership. Indeed, the Friss Institute seems to have been pre-eminently a gathering of political outcasts of one or another phase of the Rákosi era. This applies even to some of the leaders of the Institute: István Friss⁴⁰ was forced to leave his position as the head of

³⁹ Author's interview with Professor Róbert Hoch, at the Institute of Economics, Hungarian Academy of Sciences, Budapest, 27 Nov. 1986.

⁴⁰ Friss seems to have been a true *Vatergestalt* for the young economists of *Gyepsor*. He was just as vitally important for the launching and survival of the Institute with its empiricist research programme and for the political protection of the *Gyepsor* community, as he was commonly hated by the members of the latter. They tended to consider him to be but 'one of the representatives of the dogmatic party leadership'. Letter to the author from Professor András Nagy, Institute of Economics of the Hungarian Academy of Sciences, 12 Dec. 1990. It could be easily documented, but it is impossible here due to lack

the Central Committee's economic policy department (his was the only case, however, where the fall was *not* precipitated by Friss having taken the side of pro-reform forces within the Party). Ferenc Donáth, the Deputy Director of the Institute, was victimised in 1951 in one of the purges administered by Rákosi's political police and was imprisoned to serve a fifteen-year sentence. After his release and 'rehabilitation' (1954), he joined the revisionist circle around Prime Minister Imre Nagy. During the revolt of 1956 he was one of Imre Nagy's closest political collaborators. Péter Erdős was accused of having called Stalin in his lectures 'Zsugás Vili' (a play on Stalin's Georgian family name, meaning, in Hungarian slang, something like 'Billy the Card-player'; the name was, in fact, in use as a code-name for Stalin in the pre-war illegal Communist movement in Hungary). Erdős was also said to have cited the work of Rákosi as an example of the concept of 'unproductive work' in Marxian economics.⁴¹ He lost his job and was expelled from the Party in early 1953. He, too, was rehabilitated in 1954. Tamás Nagy, head of the Institute's General Theory Section, lost his position as *kurátor* (at the time, the highest chief) of the Karl Marx University of Economics in late 1952. The background to that high-level political decision was a drama of the sort which only the Communist movement has been capable of producing. Tamás Nagy's wife had close personal contacts with some of the defendants of the Rajk-process. In the autumn of 1949, Rákosi called Nagy to his office and told him that the Party expected him to divorce his wife. Mr and Mrs Nagy, loyal and obedient soldiers of the Party as they were, divorced. In 1952, Tamás Nagy again approached the cadres section of the central committee asking whether they could not be allowed to marry again, for they still loved one another dearly (and they had children). The answer of the section was this: 'That is regarded by the Party as a private matter.' So they remarried – as a consequence of which, he lost the position of *kurátor*, though he continued to hold the chair of political economy.⁴²

The researchers in junior positions at the István Friss Institute also tended to distinguish themselves by having been involved in serious conflicts with their Party.

One example was András Nagy, a central person in the politics of the scholarly community of the Friss Institute. He was twenty-nine years of age in 1955. He came from a middle-class family. His father was the chief stage manager of the National Theatre in Budapest and professor in the Academy of Performing Art (*Színhákadémi*a). As an eighteen-year-old boy, putting his life at risk, András Nagy joined, through his elder brother, the underground anti-fascist resistance. Immediately after the war he became a member of the (Communist-controlled) Democratic Association of Hungarian Youth (MADISZ). He worked in the Foreign Relations Section of MADISZ, where he was entrusted with the preparations for the founding congress

of space, that, while many of his writings and political speeches rightfully earned him the bad reputation of a conservative Communist, Friss had a special and very positive role in his relationship to the country's economic research community (and, personally, to a great majority of the best scholars) based on his acting as their most important single patron and protector vis-à-vis the political authority.

⁴¹ This information is from the interview I was granted by Professor Róbert Hoch, 27 Nov. 1986.

⁴² Author's interviews with Professor Nagy, 4–21 Nov. 1986.

of the Democratic Association of World Youth to be held in London in November 1945. He was a pupil of one of the best secondary schools in Hungary, the Trefort Street Gymnasium in Budapest, and became, in the spring of 1945, a student in the country's best higher education establishment in the humanities, the Eötvös Collegium, where he studied English and French. In the Collegium (where one of the students was Imre Lakatos), as well as in the apparatus of MADISZ, he came into contact and worked together with many young Communists. In August 1945 he joined the Communist Party himself and, upon his return from the London congress, was appointed chief of the Foreign Relations Section of the MADISZ apparatus. This meant dividing his attention between two full-time jobs: the administrative duties at MADISZ and his studies in the Collegium. In 1948, he was already head of the Foreign Relations Section of the Communist Democratic Association of Youth (DISZ) when his party's Cadres' Council (Országos Kádertanács) ordered him to suspend his university studies and to devote all his time, as Chief Organiser, to the preparations for the Second Congress of the World Association of Democratic Youth which was to be held in Budapest on 2–8 September 1949.

This proved, later, to have been the summit of András Nagy's political career. On 26 September 1949, the death sentences were announced in the Rajk Process. Due to his contacts with some of the numerous victims of the purge, to his knowledge of languages and to his social background which made him highly suspect in the circumstances of the 'ever intensifying class-war', András Nagy found himself, from one day to another, without a job. One morning in June 1950, when he wanted to enter the building of the central offices of DISZ, he was denied admission by the guards. He was not only expelled from his position but the DISZ leadership saw to it that he found it very difficult to get another job. Positions having to do with foreign relations were entirely out of the question. He was rejected even when he tried to become employed as a worker in a factory in Budapest. Following benevolent advice, he then moved away from the capital to work in Sztálinváros ('Stalin's town'), the largest single project of socialist industrialisation in Hungary, producing a gigantic ironworks located in a little village, Dunapentele, at the southern section of the Danube in Hungary, where a whole city was erected in the middle of maize fields. He was employed there first as an unskilled construction worker and, later, as a semi-skilled worker in the ironworks. The time he spent in Sztálinváros gave him a great deal of personal experience with the appallingly low efficiency and the unforgiveably wasteful use of resources that characterised state-socialist central planning. In September 1951, now as someone with an industrial worker's background and with good recommendations from his factory in Sztálinváros, he could start his studies at the Karl Marx University of Economics in Budapest. He supported himself with casual work such as writing articles which appeared in daily papers with others' signatures. In early 1953 he was 'rehabilitated' and offered a job in the Ministry of Education. He became a corresponding student and took the position. Finding his job at the ministry less than stimulating, he asked for and was granted a transfer to the Joint Department of Marxism-Leninism of the Academies of Arts (Szinművészeti, Zeneművészeti,

Képzőművészeti and Iparművészeti Főiskola). Thus, typically for those times, he started teaching political economy to future actors, musicians, artists and designers three years before he completed his own studies at the University of Economics. He was even Head of the Department for a while. At the School of Political Economy (Politikai Gazdaságtan Szak) of the University of Economics, he distinguished himself as a student. In February 1955, Kálmán Szabó, then part-time associate of the Department of Political Economy and the right hand, in matters of economics, of Andor Berei at the Central Committee's cultural and scientific section, recruited him to the newly established Institute of Economics. He became a research associate of Tamás Nagy's General Theory Section and the scientific secretary of the Institute. He assumed within a short period a central position in the informal social and political life of the community of researchers in the Institute. He was one of the few who uncompromisingly adhered to the policies and spirit of the New Course. After the revolt of 1956, he refused to apply for membership of Kádár's new Hungarian Socialist Workers' Party. During the revolt, he acted as a liaison between the Revolutionary Committee of Intelligentsia (Értelmiségi Forradalmi Bizottság) and the Revolutionary Committee of the Institute of Economics. To represent the Institute to the outside world was also part of the job of the scientific secretary. On such occasions, especially after February 1956, András Nagy did not hesitate to act as a spokesman for the spirit and ideas of the rebellious intellectuals, criticising with increasing radicalism the Stalinist academic regime. It was he who, at a Communist Party meeting of the Second Section of the Academy, summoned to discuss the lessons for scientists of the Twentieth Congress, demanded that the Section's report for the 1956 Assembly of the Academy should give

emphasis to the question of democracy within science. . . . It should be criticised in concrete terms how and in what way democracy in our fields has been pushed into the background and strangled. How it was affected by the fact that the management of science, the assessment of scientific achievements were very often not, or only to an insufficient extent, in the hands of the scientists themselves. It ought to be told what remains to be done in this respect, how the tasks of managing and assessing science will to a much greater extent be returned to the hands of scientists. Of course . . . the leading organs of the Party and the state have to have a considerable influence and role in this respect. . . . But the situation that has prevailed up till now is absurd as the scientists wield so little real power.⁴³

There are other examples. Sándor Ausch, one of the most promising younger talents at the Institute, received a long prison sentence in one of the bi-acts of the Rajk-process.⁴⁴ Released in 1954 he had worked, until he was recruited to the new Institute of Economics, at the Publishing House for Economics and Law (Közgazdasági és Jogí Könyvkiadó). András Bródy was a publisher after the war. After his company was nationalised, his bourgeois class-alien background and conflict with József Révai's Ministry of Culture over policy issues (such as the ministry's order that the publishers should annul their contracts with certain authors) cost him his

⁴³ Protocols of the Communist *aktíva* of the Second (Historical and Social Sciences) Section of the Hungarian Academy of Sciences, 11 May 1956, *MTA LT*, 3/3.

⁴⁴ Professor Antal Máriás letter to the author, Budapest, 12 Jan. 1991.

membership of the Communist Party (which was not restored until 1953). Between 1949 and 1952 he worked as an industrial labourer and studied at evening courses of the University of Economics.⁴⁵ Róbert Hoch worked at the Department of Political Economy of the Karl Marx University of Economics until late 1954. Together with another colleague of his, Hoch was subjected, in 1954, to a Party disciplinary procedure which found him guilty because he criticised top Stalinist Party leaders (like Ernő Gerő) for sabotaging the policies of the new course. Antal Máriás had worked as an assistant professor at the Department of Socialist Industrial Economy at the Budapest University of Technology before he went over to the newly established Friss Institute. Because of a critical and self-critical lecture of his delivered during the autumn term of 1953 (on the economic and industrial policies of the country prior to Imre Nagy's new course programme), he was taken to task and thoroughly criticised by a special meeting of the University's Communist Party Committee.⁴⁶

János Kornai was hardly more than twenty when (in 1948) he became chief of the column of economic policy in the Party's daily, *Szabad Nép*, a position which he held until his expulsion from the newspaper in 1955. In 1954, he was also appointed Secretary of the Editorial Committee. In the formal hierarchy of the Party, the position of *Szabad Nép* was as high as that of a section of the central committee apparatus. Moreover, as the paper was one of the few organs of mass media (and among these the most significant forum for publicity), the power and importance attached to the office of editor (and, especially, to that of the economic editor) in *Szabad Nép* probably surpassed its formal ranking in the *nomenklatura*. The majority of the members of the government responsible for various economic areas were neither formally members nor were they invited to attend the meetings of the Committee of State Economy (Államgazdasági Bizottság), the party's highest-ranking collegial body for economic policy, chaired by Ernő Gerő. Kornai, as the economic editor of *Szabad Nép*, was present, from 1949 on, at the meetings of the Committee and he was entitled to study the highly qualified documents submitted to, discussed and/or produced by the Committee (though he was not entitled to participate in the discussions). In his editorial work he was 'instructed' (supervised), on the part of the Central Committee, by István Friss, then, head of the Central Committee's section for economic policy (Államgazdasági Osztály). All this makes it little wonder that Kornai's former status, as perceived by some of his young colleagues at the Friss Institute, assumed quite unrealistic proportions which are well reflected by the remarkable piece of 'urban folklore' that maintains, even today, that he was at the side of Chief Secretary Mátyás Rákosi in East Berlin placing the wreath of the Hungarian government delegation (27–9 October 1952) at the Tomb of the Unknown Soldier. Someone even insisted on having seen a photograph depicting the event in a newspaper. (It can be confirmed that Kornai was a member

⁴⁵ Author's interview with Professor András Bródy, Budapest, 31 October 1986.

⁴⁶ A manuscript version of Máriás' lecture (classified 'Strictly Confidential') as well as a summary of the findings of the extended Party meeting, dated 11 Nov. 1953, can be found among the protocols for 1953 of the University Council, Archives of the Budapest University of Technology. I am indebted for copies of these documents to Dr Gábor Palló, who works on the post-1945 history of the university.

of a group of ten attached to the delegation⁴⁷ but the story of his being at the side of Rákosi in a photo published in the Hungarian press cannot.) Whether the story is true or not, it did not affect favorably Kornai's initial reception by his young colleagues at the Friss Institute even though Kornai's salary at the Institute was just as low as theirs. Of course, *Szabad Nép* as a work place offered more than everyday proximity to those wielding power over the country and more than the experience of the actual exercise of that power. Editing a daily paper was always an intellectual task which put certain limits upon the Party's efforts to ensure that the composition of the editorial staff was proper from a class point of view. Indeed, the editorial staff of *Szabad Nép* consisted to a large extent of relatively well-educated men coming from intellectual middle-class families: Miklós Vásárhelyi, Imre Patkó and Péter Kende, for example, who were Kornai's close friends and wanted him to join *Szabad Nép*, were all from urban middle-class families. To begin with, there was nothing wrong with their loyalty to the Party and to the cause it embodied. They worked with great enthusiasm running Rákosi's propaganda machine. They were shocked and alarmed by the slaughter within the ranks of the Party leadership called 'the Rajk process', but they did not think of calling the wisdom and objectives of Gábor Péter's state security police, controlled directly by Rákosi, into question. They had close friends and highly respected acquaintances among the people executed or imprisoned, but their speeches delivered at various meetings and their articles published in *Szabad Nép* and elsewhere showed no doubt whatever as to the tenability of all the fancy allegations concocted during those infamous sleepless nights of Rákosi.⁴⁸ Similarly, the ostrich-like policy of the Party soldier allowed them to still their consciences over the propaganda journalism they produced, a 'journalism' for which serving the needs and interests of the Party, as defined by the top leadership, was more important than reporting facts, inquiring into events and charting the processes that characterised the 'real sphere' of social life.

As with the cases of other groups of Communist intellectuals, the political changes of 1953, the introduction of Imre Nagy's New Course policies, provided the background to the radical change in the attitude of a considerable number of *Szabad*

⁴⁷ *PLA 276 f. 65/211 öe.* According to fol. 33, the group consisted of Kornai from the *Szabad Nép*, Rákosi's and Gerő's secretaries and personal guards, two officials from the Ministry of Foreign Affairs, the representative of the GDR in Budapest and his wife, and Gábor Péter, chief of the office of State Security (the infamous ÁVH or 'ÁVÓ').

⁴⁸ In his speech to the Party activists of Greater Budapest, 30 Sept. 1949, the Chief Secretary explained the puzzling facts that the criminal conspiracy could persist for such a long time and at so high a level within the Communist Party by saying: 'We have often been lenient towards the "mistakes" of Rajk and his accomplices and towards their "deviations from the correct party attitude". We had not suspected that in all these the enemy manifested itself, but we ascribed them, instead, to the lack of experience, routines and education. We had been all too patient with these [mistakes and failures] unaware of the fact that we were dealing with traitors. . . . Besides, we ourselves had not had any such experience until uncovering the Rajk case, and, as you may imagine, comrades, we were shocked by the extent of vile treason. We had no experience in handling such cases and we knew that one should not go about them light-headed. Indeed, it was not easy to elaborate [on the plan for] handling it and it had cost me many sleepless nights until the design of execution took shape'. Quoted in Sándor Balogh (ed.), *Nehéz esztendőkről 1949–1953. Dokumentumok* (Budapest: Gondolat, 1986), 148.

Nép's journalists, too. The new course era brought with it the intense need for critical self-scrutiny at all levels and, especially, at the level of individuals. The party openly admitted that the country had been mismanaged for at least four years and that major political and economic mistakes had been committed. Indeed, the political struggle after June 1953 was largely about the exact definition of what those mistakes were, what gave rise to them and, last but not least, *who was to shoulder the responsibility* for them? Rákosi and his followers within the mighty Party apparatus were for a long time rather successful in restricting this process of critical reappraisal to the inevitable minimum. This success of theirs could not, however, put a stop to the moral and political awakening that swept over the ranks of the Communist intelligentsia.⁴⁹ However unwillingly and half-heartedly Rákosi's men proceeded in the 'rehabilitation' of the many victims of the show trials and other forms of terror, a public condemnation of the preceding years' lawlessness could no longer be avoided and it was made by the very same people responsible for it. Nor could they completely prevent the release from prisons and camps of some of their most prominent victims, who had themselves had held, before their fall, high positions within the Party and state apparatus. These days were highly traumatic for anyone with any sensitivity left in his or her soul: How did you face people returning from hell? What did you tell them and what could you do about the appalling injustice they had been exposed to with one's own consent and loud approval? One famous line of László Benjámín's poem *To repair the irreparable* (*Jóvátenni a jóvátéhetetlent*), written on 3 September 1955 and widely circulated in manuscript among Budapest Communist intellectuals, is probably the epitome of the experience described here: *I plead guilty of having believed in your crime*.⁵⁰ Significantly, the poem was dedicated to Sándor Haraszti, a prominent home Communist and journalist (chief editor of the Communist *Szabadság*), who was imprisoned by Rákosi in 1951 and released in July 1954 (together with Ferenc Donáth, János Kádár, Gyula Kállai, Géza Losonczy, Szilárd Újhelyi and other leading personalities of the interwar Hungarian Communist underground). The same Sándor Haraszti personally told Kornai of his life in Rákosi's prison, of the tortures he had had to suffer at the hands of Rákosi's security police:

What actually happened was that, within a year or a year and a half, about ten–fifteen leading employees in the staff of *Szabad Nép* underwent a profound change in their way of thinking, in their outlook. And this change, I believe, was attributable in all cases, including mine, to the release of and personal encounters with those who were unlawfully arrested [and imprisoned]. That is to say, it was *not* the speech [of Imre Nagy, introducing the programme of his government to Parliament in June 1953]. The speech could be taken simply as a correction of the Party line. For example, for me the great collapse [of my previous world

⁴⁹ Aczél Tamás and Tibor Méray, *The Revolt of the Mind. A Cast History of Intellectual Resistance Behind the Iron Curtain* (London: Thames and Hudson, 1960), iii. *The Purifying Storm*, give a forceful description, based to a great extent on personal experience, of this moral awakening. János M. Rainer's exemplary work, *Az író helye. Viták a magyar irodalmi sajtóban 1953–1956* (The place of the writer: Debates in the Hungarian literary press) (Budapest: Magvető, 1990) provides a scholarly analysis of the emergence among Communist writers of resistance and opposition to Rákosi and his faction in the Party.

⁵⁰ Cf. János M. Rainer, *Az író helye*, 189.

view] came when Sándor Haraszti was released from prison and he told me personally how he was tortured. . . . The great dramatic change was brought about by meeting with these people, and by the moral trauma following it. . . . this was something like an axiomatic system which, when you discarded two of its axioms, would inevitably collapse. . . . I think here you had to do with people of moral integrity, who served a cause because they believed in it with the whole of their heart. And if there only had been some 'mistakes', the whole thing could have been maintained. But when it proved to be *morally* indefensible, then the revision of ideas commenced and resulted, within a few months, in profound changes in this group of interacting people of considerable intellectual talents and high moral standards. This process reached its culmination in the meeting [of the *Szabad Nép's* Party organisation, 22–25 October, 1954].⁵¹

For those who grew aware of the (personal) moral implications of what had been going on in the country, there could be no doubt as to which side to take in the protracted power struggle between the revisionist-reformer and the Stalinist factions within the Party leadership. They did not simply follow Imre Nagy, but they went in many respects ahead of him in demanding a radical break with Stalinist policies and practices and a thorough rethinking and revision of the socialist political and social order. In their eyes, the cause of socialism could only have a chance of success and, indeed, of survival, if the *political change* unfolding after the introduction of new course policies had been *towards increasing democratisation*. Indeed, it was in this circle of young Communist revisionist intellectuals at the *Szabad Nép* that the first ideas of a reform of the *political system* of existing socialism originated. Kornai's best friend among the paper's editors, Péter Kende, wrote a twenty-six page petition to the Third Congress of the Hungarian Workers' Party. The essay, entitled 'On the question of our democratism',⁵² proposed hardly more than what the modest political reforms of the late 1970s and 1980s in Hungary achieved. Leaving intact the Communist Party's monopolistic position by accepting the principle of the dictatorship of the proletariat, it pleaded that greater weight in the political process should be given to the organisations of popular representation (local councils and the Parliament). However, in the eyes of the protagonists of the totalitarian regime in 1954, such reforms amounted to a counter-revolution. But the real strength of the essay lay in its critique of the Stalinist political regime. It attacked the alienation of the privileged stratum of leaders from the people. It admitted that 'some bourgeois democracies' performed better in certain respects than Hungary's state-socialist political system: they provided greater freedom for their citizens to criticise publicly the management of the state's affairs; they gave better protection to the individual against the state apparatus; they proved to be superior to the 'dictatorship of the proletariat' in making it possible to articulate and express individual opinions; and

⁵¹ Interview with professor János Kornai, Budapest, 14 May 1987.

⁵² Péter Kende, 'Demokratizmusunk kérdésehez. Beadvány a párt kongresszusához', enclosed to a letter to Central Committee Secretary Mihály Farkas, 17 May 1954, in which Kende asks the latter's opinion about the petition and information as to the possibility of submitting the petition, including the attached proposals for resolutions, to the delegates of the Congress. Farkas forwarded the petition to Imre Nagy, writing that he did not think it advisable to submit the petition to the Congress. Mihály Farkas to Imre Nagy, 24 May 1954. In the end, the petition was not forwarded to the Congress. *PIA* 276 f. 67. cs. 9. öc., fols 1–26.

they secured a genuine control by the representative legislative branch of power over the executive apparatuses. Kende explained the 'backwardness of our democracy' by, among other things, the misuse of the Party's monopoly position:

The fundamental problem here is that we have not been able organisationally and institutionally to restrict and counteract [ellensúlyozni] the opportunities for the abuse of power arising out of the Party's monopoly position. In quite a few respects, this has resulted in the transformation of the ideological and political leadership of the party into a party dictatorship [a párt eszmei és politikai vezetése számos vonatkozásban pártiktatúrává csúszott el].⁵³

It was, then, in this milieu where the conflict between the Stalinist leadership in the Party and the rebel Communist intellectuals in the newspaper's editorial office, who could no longer accept a return to the state of affairs prevailing before June 1953,⁵⁴ led, right after the Stalinist backlash of March 1955, to the expulsion of a number of journalists (with János Kornai among them) from the *Szabad Nép*.⁵⁵ Thus János Kornai landed, not at all against his wishes, in the newly established Institute of Economics, losing a great deal of his salary, prestige and status, but gaining a position which offered opportunities to find a new identity and role and which enabled him to combine moral integrity and intellectual creativity with the search for truth as a scholar as well as a socially politically committed individual.

Gyepsor Ethos – the Legacy of Interwar Sociography

For the young Communist economists, the crisis of 1953–6 was a profoundly personal crisis of a moral, intellectual and political nature from which the only feasible way out, personally and politically, appeared to be leading through the professionalisation of economic research. Professionalisation in this context meant the attainment and preservation of academic autonomy as well as the construction of a new identity by engaging in a set of new roles. It meant opting for and cultivating a positivistically orientated scientific ethos, for an emancipation from the ethos of the party soldier. Indeed, the political changes brought about by the new course and

⁵³ Péter Kende, 'Demokratizmusunk kérdéséhez', *ibid.*, 15, fol. 18. Kende's petition was not forwarded to the delegates of the Congress, but Kende submitted the material to the Party's theoretical monthly, *Társadalmi Szemle* (Social review), for publication. The editorial committee discussed the essay on 10 Aug. 1954. None of the committee members declared himself ready to accept the essay without major revisions. But Kende, who was also present at the discussion, rejected most of the critical comments and refused to rewrite the whole text. He suggested that the *Review* publish the essay as a 'debate-article'. The committee declined and committee chairman Andor Berei concluded the discussion by remarking that 'comrade Kende appears to have studied Lenin and Stalin either not in the right manner or not thoroughly enough'. Minutes of the meeting of the editorial committee of *Társadalmi Szemle*, 10 Aug. 1954, *PLA* 276 f. 101. cs. 2. öe., fols 115–21.

⁵⁴ This is well documented in the protocols of the 22–5 Oct. 1954 meeting of the party organisation of the editorial office of the *Szabad Nép*. *Jegyzőkönyv a Szabad Nép szerkesztőségi pártszervezete 1954. Október 22–23–25-én megtartott taggyűléséről*, *PLA*, 276 f. 89. cs. 206. öe. These protocols were immediately copied and circulated among the Budapest intellectuals upon whom it had a revolutionising impact. See also an account of the contemporaries, Tamás Aczél and Tibor Méray, *The Revolt of the Mind: A Case History of Intellectual Resistance behind the Iron Curtain* (London: Thames and Hudson, 1960), esp. Bk iii, Ch. 3, 'The Rebels at *Szabad Nép*'.

⁵⁵ Interview with Professor János Kornai, Budapest, 14 May 1987.

the transformation of the academic regime (the empiricist research programme of the Friss Institute) enabled them to pursue such strategies as would turn them from party soldiers into professional research economists. The epistemology of naive empiricism brought social scientific knowledge out of the realm of political volition and made it the concern of the specialised researcher questioning an objective social reality which exists and obeys laws and patterns independently not only of the researcher himself but also of the will of politicians.

The emerging new, relatively autonomous, position of social knowledge and of its professionalising producers was an obvious target for Rákosi's re-Stalinisation efforts from late 1954 onwards. And it was this autonomy and professionalism the demands for which and the interests of which were in so many dimensions and from so many angles articulated by young Communist academic intellectuals in the debates taking place, mostly under the aegis of the Petöfi Circle, during the months between the Twentieth Congress and the uprising of late October 1956. This highly critical and self-conscious spirit erupting after the Twentieth Congress not only influenced and inspired the attitudes prevailing among the young research economists, regular attendants as they were of the Petöfi Circle's discussions, but it was also actively informed and shaped by them.

If, after September 1955, an anthropologist had chosen the circle of young economists of importance from the point of view of the empiricist breakthrough as her subject of study, she could have done most of her field-work along one back corridor of the Institute of Economics. The corridor was on the second floor of a building in Nádor utca [Nádor Street], on the Pest side of the capital (east of the Danube), a short walk from the headquarters of the Communist Party (the Central Committee apparatus) in the same street. The building housing the Institute and the editorial offices of the Economic Review belonged, before nationalisation to a private bank. In state socialist Hungary, Nádor utca was the street with the highest concentration of political power in the country. It was situated in a district of the capital, the fifth, where the overwhelming majority of the top Party and state authorities had their offices. Junior members of the Institute's General Theory Section, headed by Tamás Nagy, had their rooms on the corridor in question. Their windows looked onto a backyard as dark as a lift shaft. Although groups of two or three had to share a room, the associates of the section spent much of their time here. Research economists in those days had to keep themselves to fixed working hours, from 8.00 a.m. to 5.00 p.m. But what tied them even more to their offices was the advantage the Institute could offer them in terms of access to classified information. For many years such access constituted an exclusive privilege of István Friss' Institute: a great deal of classified statistical and other economic information circulated among the country's top policy-making authorities was also sent to the Institute. To be able to receive this material, the Institute was formally granted the right of *Titkos Ügyiratkézelés* (administration of secret documents, TÜK), i.e. the right to hold secret documents. This meant that someone or a whole group of the administrative section had as its task the administration of these documents and the supervision of their use in accord with a set of specific rules. It also meant that a

number of safes were installed in the offices (where the classified documents had to be locked up when not being used by authorised personnel).

But the young research economists had another good reason to keep to their offices. The corridor became, especially after February 1956, an informal place for heated discussions over the main political and intellectual issues of the time. These discussions certainly contributed to the development of a strong cohesion among the members of the group. This was evidenced not only by the cheerfully teasing way in which they related to one another (mocking the dubious trend in the semiology of existing socialism to name towns, squares, streets, factories, co-operatives, etc. after Stalin, Rákosi and other living or deceased classics of Communism, they named the corridor's *pissoir* after András Nagy, a comrade of theirs who enjoyed the greatest popularity among them), but also the fact that they developed a collective identity well reflected in the name they gave to their corridor: the *Gyepsor*.

There is no way of directly translating *Gyepsor* into English. In pre-war Hungarian rural society, *Gyepsor* was the habitat of the poorest and most frustrated of the village community: 'The *Gyepsor* is on the edge of the village. Beyond it lie the endless saliferous fields covered by, instead of vegetation, the droppings of geese, pigs and cattle. Covered, that is, only as long as the dung gets dry enough for the inhabitants of *Gyepsor* to pick it up and heat with it.'⁵⁶ The typical inhabitant of *Gyepsor* was the landless agrarian worker dependent on day labour, always in short supply. The agrarian proletariat was a large stratum of Hungary's rural society characterised, for long periods of time, by lethargy and resignation. But it was also in this stratum that the recurring waves of radical agrarian socialism gained momentum. In István Friss' Institute of Economics, too, the *Gyepsor* was the habitat of the underdog. At the same time, and, again, similarly to the *Gyepsor* of pre-war rural society, the corridor was also a nest of revolt.

In the beginning, this name we gave ourselves signified nothing more than our lowest position in the hierarchy as opposed to the position of our bosses, such as [István] Friss (for whom even a bathroom and a restroom had been built), [György] Cukor, Tamás Nagy, [Ferenc] Donáth, [György] Göncöl, [Edit] Jávorka, etc. The latter were placed in the elegant, nicely furnished rooms, which formerly belonged to bank directors and managers, with anterooms for secretaries. Later, however, as we started to form a community and as the political conflict [in the country] intensified, the meaning of *Gyepsor* broadened to include radical reformism, revisionism, i.e. [it reflected the fact] that most of us sided more and more with Imre Nagy against Rákosi. [19]55–56 was a time of political turbulence when we had a lot of discussions, we received and sent on secret information, gossip and rumours, and we were growing increasingly critical of the power and of the Soviet Union. We established contacts with our colleagues working at the [National] Office of Planning, the University [of Economics] and the ministries. In other words, if you will, this corridor community had become a centre preparing in economic theory the [19]56 [revolt], a community which turned, with an increasing self-consciousness and radicalism, against the conservative and dogmatic party leadership.⁵⁷

⁵⁶ Péter Veres, 'Ebéd a Gyepsoron' (Lunch in the *Gyepsor*) in *Gyepsor. Elbeszélések* (short stories, first published in 1940), (Budapest: Athenaeum, 1950), 23.

⁵⁷ Letter from Professor András Nagy, Institute of Economics of the Hungarian Academy of Sciences, to the author, 12 Dec. 1990.

Last but not least, the *Gyepsor* as a metaphor nourishing the collective identity of the young Communist rebel economists had yet another significant layer of meaning with considerable potential to assist in a relatively smooth departure from the party soldier identity and the transition to a professionally orientated but socially committed ethos of scholarship. If only by way of association, the *Gyepsor* identity related these young anti-Stalinist (but still socialist) economists to the rural (and urban) sociography of the 1930s. Sociography was an intellectual movement with a number of characteristics that must have been very appealing to the rebellious social science intellectuals in the 1950s.⁵⁸ It had grown out of and developed partly hand in hand with, partly in opposition to – but never separated from – the artistic movement of populist (*népies*) writers. The sociography of Ferenc Erdei, Imre Kovács, Gyula Ortutay or Zoltán Szabó was a partisan enterprise in the sense that it was anti-establishment (and the academic establishment effectively saw to it that sociography, together with modern sociology, stayed outside the walls of official academe) and, in so far as it committed itself to radical social reforms, to the improvement of the living conditions of the underdog. However, the sociographers of the late 1930s also emphasised that the scientific method and historical action were two distinct spheres and adhered to the view that maintained the necessity of the tripartite division between the science of facts, the science of norms and values and the sphere of politics. They believed that their social-political commitment was best served exactly by the non-partisan and strictly objective, positive character of sociography. As Zoltán Szabó wrote, sociography is agitation by non-partisanship and objectivity ('a társadalomrajz a pártatlanság és tárgyilagosság izgatása').⁵⁹ A contemporary comrade of Szabó, looking back from the 1980s, remembered the sociographer's attitude towards his own research and towards politics like this:

Did I become a revolutionary? I wanted to see profound social change ('gyökeres társadalmi változást akartam'), and I wished to contribute to bringing it about, but I did not consider myself a revolutionary. I was between twenty-two and twenty-four years old, and I believed that through social research we would understand the country and would make it understood. [I believed] our writings would convince public opinion and . . . the latter would force the political power to accept our reform proposals.⁶⁰

The way Zoltán Szabó wished to see the relationship between sociography and politics, between social research and ideologically-oriented theorizing, was strikingly identical with the credo of the empiricist new course economics:

[The political Right and the political Left] tend to see the problems from above, from a

⁵⁸ In the short section below on interwar sociography, I have relied on the following works: Dénes Némédi, *A népi szociográfia 1930–1938* (Budapest: Gondolat, 1985); Gyula Borbándi, *A magyar népi mozgalom* (New York: Püski, 1983), also available as *Der Ungarische Populismus* (Mainz, 1976); and Miklós Lackó, *Korszellem és tudomány 1910–1945* (Budapest: Gondolat, 1988), 333–7. A most useful autobiographical work from an important contemporary practitioner of sociography is Iván Boldizsár, *A lebegők. Egyéni és nemzedéki önéletrajz századunk harmincas éveiből* (*Die freischwebende . . . An individual's and a generation's autobiography from the 1930s*), (Budapest: Magvető, 1989).

⁵⁹ Szabó Zoltán, 'A társadalomkutatás célja' (The objectives of sociography), *Hitel* (1936), 162–72, quoted by Miklós Lackó, *Korszellem és tudomány*, 334.

⁶⁰ Iván Boldizsár, *A lebegők*, 260.

biased theoretical point of view. We want to approach the questions and solutions from under, from reality. They say: acquaint yourself with the teachings of your leader. We say: acquaint yourself with the country. They are more superficial and, thus, they are more courageous. They dare to give their views about the necessary treatment without an intimate knowledge of the patient. We are more conscientious and, consequently, we are more hesitant.⁶¹

Most importantly, this view was very much akin to that consistently adopted by the Director of the Institute of Economics, István Friss.⁶²

Not only did research associates from other sections of the Institute and the editorial staff of the *Közgazdasági Szemle* (who had their offices in the same house) frequent the *Gyepsor*, but also economists from various government economic authorities located in nearby quarters (such as the National Office of Planning or the Ministry of Finance). It seems, indeed, justified to credit the *Gyepsor* with having earned for the Institute as a whole the unmistakable hostility of Erzsébet Andics and other members of the conservative Party leadership.

The *Gyepsor* was more than the sum of the individuals constituting it and yet it was but a coincidental point of intersection, where individual trajectories combined to give rise to the intellectual, social-cultural and political formation underlying the empiricist breakthrough⁶³ and, thus, also the dualistic structure that characterised economic thought throughout the forty years of state socialism in Hungary. This is what seems to have proved to be the durable achievement of the 1953–6 crisis of state socialism in Hungary, an achievement that survived the red terror following the revolution of 1956, and also survived the high-level disciplinary party investigation into the Institute during late 1957 and early 1958. For however intimidated these economists were amid the oppression of the early Kádárist era, no reversal could effectively be made when it came to their fundamentally new position as professional research economists. There was no way of pushing back this new intelligentsia, so crucially affected by the experience of the first post-war decade, into the mould of the party soldier. While there were almost two new generations of young economists to come, from among whom the corruptible or/and the ignorant and naïve could be recruited to serve as apologists of the state socialist regime, the option provided by the role of the professional economist pursuing empirically and/or (reform) policy-orientated social science research remained in place for all the three and a half decades following the crisis, revolts and revolution of 1953–6.

⁶¹ Zoltán Szabó, *Kortárs aggodalmaira*, *Pesti Napló*, 21 Feb. 1937, quoted by Dénes Némédi, *A népi szociográfia*, 129.

⁶² Cf. István Friss, 'Előszó' (Preface), in *A Magyar Tudományos Akadémia Közgazdaságtudományi Intézetének Évkönyve*, I: 1957 (Budapest: Akadémiai Kiadó, 1957). See above, pp. 299–300 and n. 12.

⁶³ By early 1956, the General Theory section under Tamás Nagy had ten members. Nine of them had their rooms on our corridor of observation: Sándor Ausch, Béla Csendes, Róbert Hoch, János Kornai, Antal Máriás, András Nagy, Mrs Eszter Solymár (Solymár Jenőné), Aranka Rédei and Ferenc Vági. Péter Erdős, although both in age and in hierarchical position senior to the members of *Gyepsor*, was a regular visitor to the rooms on the corridor (as one of his younger colleagues put it, 'his heart was with the *Gyepsor*'). So were András Bródy of the Industrial Section, Ferenc Molnár of the International Section, and Ferenc Fekete and Zsuzsa Esze of the Economic Review.

Statistical Appendix

Table 1. *The social background of research economists in István Friss' Institute, 1956*¹

Father's occupation	No.
Workers	3
Peasants	6
Shopkeepers & artisans	2
Unknown	7
Clerks	5
Capitalists & landowners	4
Intellectuals	9

Table 2. *The social background (according to father's status) and Party affiliation of the PhD student body in the seven sections of the Academy, 1951–5*²

	Students enrolled in year					Total PhD student body in 1955
	1951	1952	1953	1954	1955	
	%	%	%	%	%	%
Worker	25.6	20.5	24.0	18.8	23.1	21.9
Peasant	12.0	9.8	14.0	10.6	9.2	11.1
Intellectual	28.9	35.0	25.7	31.1	32.3	30.6
Other	33.1	34.0	34.4	37.7	31.0	34.6
Class-alien	0.4	0.7	1.9	1.8	4.4	1.8
Party members	71.9	69.4	75.3	54.7	62.0	68.2

¹ 'Közgazdaságtudományi Intézet dolgozói' (Employees of the Institute of Economics, enlisted by rank/position, disclosing father's occupation), 1956, part of the list is handwritten, the rest is typescript, *PLA* 276 f., 91/102 öe.

² Sources for Tables 2 and 3: Report on the *aspirantúra* presented to the Committee of Scientific Qualification (Tudományos Minősítő Bizottság), dated 20 April 1956. A copy of the report was sent to László Orbán of the Dept. for Science and Culture of the Central Committee, *PLA* 276 f., 91 cs, 99 öe, fols 109–21; furthermore, Report by the Academy of Science on the Recruitment of Scientific Cadres ('A tudományos káderutánpótlás helyzete'), undated (1956), by the President of the Academy, István Ruzsnyák, *PLA* 276 f., 91 cs, 10 öe, fols 196–212. The data include all four categories of 'aspirants' (students sent abroad, especially to the USSR, students of the ordinary, corresponding and shortened PhD courses), except for the percentages of party members where no data for students of the so-called shortened courses were available. Students of these shortened courses (rövidített aspirantúra) were allowed to proceed to writing their dissertations without having previously passed the exams prescribed to the other categories.

Table 3. *The social background (according to father's status) and Party affiliation of the PhD student body, Social & Historical Sciences, 1951–5*

	Students enrolled in year					Total PhD student body in 1955 %
	1951 %	1952 %	1953 %	1954 %	1955 %	
Worker	28.6	20.4	23.3	21.9	31.9	24.5
Peasant	20.0	14.3	18.6	11.0	8.7	13.6
Intellectual	14.3	24.5	23.3	25.5	17.4	22.3
Other	37.1	40.8	34.8	40.9	42.0	39.4
Class-alien	0.0	0.0	0.0	0.7	0.0	0.3
Party members	91.4	91.8	94.0	76.6	79.2	87.3

Table 4. *The social background (according to father's status) of the scientific staff in Higher Education for 1953 and 1955³*

	W		P		I		O		E	
	1953	1955	1953	1955	1953	1955	1953	1955	1953	1955
Professors										
HE %	9.1	10.8	6.5	5.4	46.0	43.0	32.9	35.7	5.5	5.1
US %	5.6	5.3	5.6	3.9	43.1	41.2	37.5	41.9	8.2	7.7
UT %	7.8	15.0	6.8	6.6	47.0	41.5	35.5	34.4	2.9	2.5
DML %	—	—	—	—	—	—	—	—	—	—
All levels										
HE %	16.4	21.5	9.9	10.3	30.0	27.0	38.6	36.6	5.1	4.6
US %	12.3	17.0	8.1	8.9	32.6	28.0	39.7	40.1	7.3	6.0
UT %	12.3	19.0	6.7	7.6	30.0	28.0	46.6	40.9	4.4	4.5
DML %	40.6	44.2	26.6	26.4	10.6	10.3	20.7	17.4	1.5	1.7

Notes:

HE = Total higher education; US = Universities of science; UT = Universities of technology; DML = Departments of Marxism-Leninism (no professors had been appointed to these departments before 1956)

³ Source: *PLA* 276 f, 91 cs, 133 öe, fos 99–101. The social categories as defined in the contemporary official statistics and which apply also in our source are as follows: W: workers, P: peasants, I: intellectuals, O: other (mostly petit bourgeois families), E: exploitators (former capitalists and landowners) often referred to as 'class-alien' (osztályidegenek).

Table 5. Party affiliation of the scientific staff in higher education⁴

		1953			1955		
		Ms	Nms	Excluded	Ms	Nms	Excluded
Professors							
HE	%	40.0	58.0	2.0	39.5	58.4	2.1
US	%	40.3	58.3	1.4	41.3	56.7	1.9
UT	%	27.5	70.0	2.5	29.0	68.0	3.0
DML	%	—	—	—	—	—	—
All levels							
HE	%	37.0	60.8	2.2	41.5	56.3	2.2
US	%	39.1	57.4	3.5	43.8	52.9	3.3
UT	%	23.3	75.0	1.7	27.5	70.7	1.8
DML	%	82.0	18.0	0.0	88.7	11.3	0.0

Notes:

Ms = Members of the Communist Party; Nms - Not members of the Communist Party; HE = Total higher education; US = Universities of science; UT = Universities of technology; DML = Departments of Marxism-Leninism

⁴ Source: *PIA* 276 f, 91 cs, 133 öe fos 99-101.