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Understanding Socialism from the Outside and from the Inside: an Interview with Alberto Chiosi

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Abstract

Alberto Chiosi belongs to the last generation of scholars who studied the socialist system and have been able to gain first-hand experience of its operation under “real socialism”. His extraordinary testimony features a series of analyses, thoughts, and anecdotes on the workings of this system that have often been overlooked in the literature of comparative economics and in the history of economic thought, but which will undoubtedly represent an indispensable source for historians of the future. This text also offers thought-provoking materials for those who set out to think about a model of society that goes beyond the capitalist economy.

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In 1992, three years after the collapse of the Berlin wall and one year after the demise of the Soviet Union, Janos Kornai published *The Socialist System: The Political Economy of Communism*. It was his final, comprehensive account of the socialist system that would sum up the main findings of decades of research: his opus magnum.

In the preface of the book, Kornai cited the famous reply by Chou Enlai when he was asked what he thought about the French Revolution: “It is too early to say”, the Chinese prime minister allegedly answered. If two centuries were not enough for a balanced assessment of the French Revolution, then was not three years far too early to write about the socialist experiment in the Soviet Union? No, Kornai answered to himself: “The author of this book does not intend to wait. I accept all the risks and drawbacks of proximity to the events” (Kornai, 1992, p. xix).

Why was he in such a hurry? After all, with the collapse of the Soviet Union and the end of the Cold War, socialism was no longer a “hot topic”, both from an economic and a political perspective. When Kornai mentioned to a colleague his idea to write a book on socialism, the latter reacted with astonishment: “Are you crazy?”, his look seemed to be asking. ‘Spending your time on that? Now?’” (Kornai, 2006, p. 339).

However, Kornai had good reasons to accept the risk of proximity to events: “Others, of course, will write about that period later. Perhaps some will look back after several centuries, as Chou Enlai recommended, and be able to take a much more objective view. But they will be relying on our writings as a source. We were the eyewitnesses. That status gave special significance to the testimony of my generation” (Kornai, 2006, p. 339).

Thirty years have now passed since the publication of that book. Not a long period from a historical perspective, if we measure this perspective in centuries rather than in years. However, many contemporary events can provide very good reasons to come back to that story. First of all, the rise of China – a country that is still officially committed to socialism, although “with Chinese characteristics” – as a political and economic superpower; second, the war in Ukraine, a conflict that cannot be understood without a good understanding of the history of the USSR,

the so-called People's Democracies in Eastern Europe and the transition from socialism to capitalism in that area of the world; third, a renewed attention by Western politics and western economic literature to the concept of socialism (Carnevali & Pedersen Ystehede, 2022).

Yet most of all, there is the sense of urgency – that is greater now than thirty years ago – to gather the testimony of the last generation of scholars that have been both studying the socialist system and living in a socialist system. The generation that studied socialism with a first-hand experience of how that system really worked.

This interview with the Italian economist Alberto Chilosi is an extraordinary historical document. Not only did Chilosi produced an internationally recognised body of research on growth theory and the economics of socialism, especially with respect to Poland. He also studied at the Central School of Planning and Statistics in Warsaw, where he got a Diploma in Economic Planning in 1968 and a Doctorate in Economics in 1972. Therefore, he was directly exposed to the complex relation between the theoretical elaborations on socialism as set up in one of its most important intellectual centres and the actual, daily workings of a real planned economy. Moreover, he met and worked with towering intellectuals of post-war Poland: scholars such as Michał Kalecki, Kazimierz Łaski and Stanislaw Gomułka, who are all renowned in abroad as well as their homeland¹. And he did all this as an outright “outsider”, being an Italian economist who came from a capitalist country, who did not have any particular ideological bias in favour of socialism, and who develop a deep understanding of a wide range of economic traditions: from the works of the founding fathers of Marxism and Dialectic Materialism (from Marx to Stalin) to the neoclassical economic theory that was and still is the backbone of Western “mainstream” economics.

There are plenty of examples of Western scholars who studied the socialist system from the outside and of Eastern scholars that studied the socialist

¹Kalecki worked at the University of Cambridge and the University of Oxford in the 1930s, Łaski worked at the Vienna Institute for International Economic Studies in the late 1960s and Gomułka worked at the London School of Economics from 1970 to the early 2000s.

system from the inside. Chilosì represents one of the very rare examples of a scholar who managed to study the system from the outside and the inside at the same time. That is why his testimony is so interesting and unique.

Let's start with your education.

I graduated from law school in Pisa in 1965. But even before I graduated, I had come to the conclusion that law did not interest me that much. I had become interested in sociology. Then I took the Science of Finance exam with Antonio Pesenti, who was a well-known economics professor and an important figure in the Italian Communist Party (PCI). Before the war he had also been imprisoned for anti-fascist activity. When I met him, while he was a professor in Pisa, he was a PCI senator. Later, when I went to study in Poland, I saw that his textbooks on economics - of Marxist orientation - had also been translated there and were being used by Polish students.

I did my thesis with him. It was titled: *Financial Policy and Stable Economic Development*. It was a time when Keynesian orientations dominated in economics. The idea that the task of the state was to achieve full employment through economic policy active interventions, in particular fiscal policy, was quite widespread. While writing the thesis the following problem had occurred to me. Full employment can be achieved through different combinations of consumption and investment. What share of accumulation in national income would be optimal? With a share of one there would be no consumption. With a share of zero there would be no growth.

Looking into the literature I came across the answer provided by the Golden Rule of Accumulation, developed particularly by Phelps (1961) in the framework of Solow's (1956) neoclassical model of economic growth. The rule said that among the various paths of steady economic growth, there is one that would provide the maximum possible consumption over time, the one in which the rate interest (i.e. the marginal productivity of capital in the model) was equal to the rate of growth. This, as we shall see, provided an important starting point for being accepted as a doctoral student later in Warsaw.

Indeed, after graduation you earned a Diploma in Economic Planning - in 1968 - and a doctorate in Economics - in 1972 - from the Central School of Planning and Statistics in Warsaw. How did the choice to go to Poland come about? Were you a real socialism “enthusiast”?

No, I was a scholarships enthusiast! Since I started university in 1960, I was able to live basically out of scholarships until my retirement in November 2012, considering a university appointment to be a peculiar kind of scholarship. And getting a scholarship for Poland or other East European countries (through the Italian government and the foreign government exchange programme) after graduation was easier than getting one for more sought-after places in the West. The scholarships were given on an equal exchange basis: as many months of scholarships were given, for instance, by the Italian government to Poles, as many months were given to Italians by Poland. While there was a big pressure from the Polish side to get some stay in Italy, the reverse was not true, thus I was able to renew unchallenged my Polish scholarship for a total of three years. I chose Poland of all the possible East European destinations because at the time it seemed to me to be the most interesting place where to go to. And retrospectively I think it was indeed the right choice.

The basic scholarship amounted to 2,400 zlotys, more than the average wage in Poland at the time, that was about 2000 zlotys. After a while, I also received a supplement to the basic scholarship of 1,000 zloty monthly.

Those were years of great social turmoil in Poland. In 1964, for instance, there had been the famous “Letter of 34” addressed by well-known Polish intellectuals to Prime Minister Józef Cyrankiewicz against the regime’s cultural policy. What was the university environment like in Warsaw before the March 1968 riots?

At the beginning my acquaintances were mostly fellow students at the School of Planning and Statistics living like me in the student house in

Madalinskiego Street. I remember two episodes in particular. One is a conversation I had with a fellow student - who was a supporter of the regime. He told me that he was from a poor, peasant family and thanks to the state and the communist regime he had been able to study. Another dialogue that stuck with me was between my two roommates. They were talking about the condition of Polish workers, and their rather miserable lives. They said they practically could afford to eat only bread and onions (*chleb i cebulka*).

Who did you work with once you arrived in Poland?

In Poland I was introduced by a fellow Italian student to Professor Kazimierz Łaski, who was working on economic growth theory. He was a student of Kalecki, although formally Łaski was the chair and Kalecki had at the time some form of association to his chair.

Łaski had a peculiar biography. He had participated in the Resistance and the Warsaw Uprising. He was able to survive the war by changing his original Jewish name for a Polish one for which he was able to acquire an identity card. After the war he had become a major in the political police, with an assignment that covered the university sector. However, according to what I was told, he resigned in protest after a student was badly beaten by the police. After some years of study at the Party school for cadres and at the Academy of Political Sciences he started teaching at the School of Planning and Statistics, eventually becoming in practice a student, as well as mentee, of Kalecki.

When we met Łaski got very interested in the topics I mentioned to him: neoclassical growth theory and the golden rule of accumulation.

Kalecki's latest achievement was his book *Introduction to the Theory of Growth of a Socialist Economy*, published in Polish in 1963, stirring quite an interest. The English edition was not published until 1969, with a translation of the second Polish edition published 1968.

Łaski thus proposed that I develop a comparison between neoclassical growth models and Kalecki's theory of growth of a socialist economy, since they were both supply determined theories of growth. At the same time,

I was directed to attend the diploma study in Economics of Planning. It was a course on planning mainly organized in English for graduate students coming from developing countries, to which the occasional graduate students from capitalist countries were also admitted. After completing the diploma paper on a first comparison between Kalecki growth theory and neoclassical models, I continued working on the subject. Overall, my doctoral dissertation took quite a few years to complete. Eventually I submitted the thesis in 1970. In 1971, I was also able to publish a comprehensive review article of Kalecki's book in *Economics of Planning*², at the time the main journal concerned with the economics of planning and the socialist economies.

What did Kalecki think about your work?

With Kalecki I had a friendly relationship on a personal level. Yet, to tell the truth, he was not very happy with what I was doing as far as my doctoral research was concerned. The main thesis of my research, in fact, was that Kalecki had arrived in an autonomous and independent way at conclusions very similar to those of Solow's neoclassical growth model and its developments. The major difference was that unlike the western variety Kalecki did not use differential calculus, perhaps because it smacked of marginalism or simply because it was outside his frame of mind. He was more comfortable with his rigorous use of simple algebra, which could also allow a wider audience than the use of differential calculus. But in Kalecki's book³ there was virtually all of neoclassical growth theory. And he had come to it completely on his own. It was a remarkable intellectual undertaking. However, the fact that I was pointing out that the two theories were not that dissimilar (indeed the starting point of both was an adaptation of the Harrod-Domar equation) somehow detracted from the originality of Kalecki's contribution. That is why I was saying that he was not that happy with my work.

Having said that, I repeat, we had a good personal relationship. He was

²'The theory of growth of a socialist economy of M. Kalecki' (Chilosi, 1971).

³*Introduction to the theory of growth in a socialist economy* (Kalecki, 1969).

very kind. He invited me to his home. And he was happy for me to attend his seminars on growth theory.

What were Kalecki's positions on the debate on socialism in Poland?

Kalecki then held a regular postgraduate seminar on the theory of growth. It was a group of scholars that mainly talked about technical matters and did not deal with strictly political issues, so to speak. But I remember a time when, after the seminar, there was some talk on market socialism. Someone asked Kalecki what he thought about market socialism. He took a critical stand. It is just a model of monopolistic competition, he said with a rather derogatory undertone. He did not like market socialism. And then they asked him: how would you like the Polish economic system to be? He replied, more or less: a less voluntaristically planned economy, a socialist planned economy of a rational and reasonable type.

Kalecki, did not like "voluntarism". That was the idea that excessive objectives could be achieved through political and ideological mobilisation. It was an approach that did not take into adequate consideration the constraints that the economic system faces. Therefore, his preferences went towards a system of planned, but "reasonably" planned economy. He wanted the planners to set realistic objectives.

Was this the reason why his collaboration with Polish economic institutions was not very fruitful?

Kalecki had been appointed economic advisor of the government in 1957 (chairman of the Commission for perspective planning). But in reality, I was told, no one had ever asked him for anything. He was an international celebrity, and they used his name as a showpiece. They just gave him a car with a driver for a while. As a matter of fact, when he arrived in Poland Kalecki did not have a particular expertise in the area of planning. His main area of research had been economic cycle and income determination in capitalist economies.

Did the question about market socialism arise from the fact that this was then considered a credible alternative to economic planning in Polish intellectual circles?

It was a possibility that was being considered. Włodzimierz Brus, for example, had recently written his book *Ogólne problemy funkcjonowania gospodarki socjalistycznej* [*The general problems of the functioning of the socialist economy*] (1961), where he introduced the idea of a "simulated" market. It was a reformist approach. There was also some interest to what was going on in capitalist countries, at the possibility of reaching full employment through the management of the aggregate demand. After all, these were the heydays of Keynesianism in the West.

Did you have the opportunity to collaborate with other economists during your time in Poland?

Yes, and I was really lucky. In Italy I had studied at the Liceo Classico (Classical High School) – where we studied a lot of Latin and ancient Greek, and very little math. Then I graduated in law and, again, I did not study math. So, my mathematical background was poor. When I started to be interested in economics I took hold of a couple of books of mathematics for economists, in order to learn, in particular, the rules of differential calculus. Yet, my understanding of the topic was rather shallow: mathematics books for economists give you the rules of calculus but not a real understanding. When I returned to Italy, I took several courses at the Mathematics Faculty of the University of Pisa.

But, as I said, back then, in Poland, my mathematical background was very limited. I was fortunate, however, to meet a young physicist, Stanisław (Staszek) Gomulka, who was very interested in economic and social issues. He had been a member of the youth organization of the Communist Party, or rather the Polish Unified Workers' Party (*Polska Zjednoczona Partia Robotnicza*, PZPR, as it was called in Poland). But he was someone who liked to think for himself. And, in fact, he had joined the group of Jacek Kuroń and Kuron Modzelewski, the authors of the "Open Letter to the Party" of 1964, another very famous document of that period.

Staszek was very interested in learning about what was going on in the world of economics. Our collaboration was based on our complementarity: I had access to Western economic literature, and he knew mathematics.

Our first article was entitled 'Technical Progress and Long-Run Growth' and highlighted the consequences for long-run growth of the specific characteristics of technical progress. We initially sent it to the *Ekonomista*, which was the main journal of Polish economists. Unfortunately, Staszek happened to be in the wrong place at the wrong time, because when they arrested Kuroń and Modzwelewski as a result of the student riots in March 1968, he was there. He was kept three months in jail. At that point the possibility of publishing in the *Ekonomista* seemed to us to be precluded. When Staszek got out of prison he sent our article to Moscow, to the *Ekonomika i Matematicheskie Metody* the journal of the Central Economic Mathematical Institute of the Soviet Academy of Sciences. The scholars managing the journal evidently did not know or cared little about Kuroń and Modzelewski and these things. They shortened and redacted the paper, which was published in what was considered the at the time a rather prestigious journal. Later, even the *Ekonomista* accepted to publish our paper in the original more diffuse version.

We kept working on the topic for some time. An extended version of our main paper was published in Italian and English in an Italian journal (*Rivista di Politica Economica*) in 1969 and then we had a paper on some related subject published in the *Journal of Economic Theory* in 1974. Then our collaboration stopped. After a brief stint at the University of Aarhus, Staszek moved to the London School of Economics.

I went back to Italy with a research fellowship, and eventually in the former Belgian Congo first as a lecturer and then as an Associate Professor of Economics at the Université Officielle du Congo in Lubumbashi (happily enough French was my first foreign language). Then, in 1972 I went back to Pisa as a lecturer in Economic Development. But we kept in touch. Thanks to his endorsement I was later accepted as an Associate Senior Member at St. Antony's College, Oxford where I was able to reconnect, among others, with my former teacher at the diploma course in Economic Planning, and

participant to the Kalecki's growth seminar, Włodzimierz Brus.

You mention that Gomułka was not an economist by training. What did the training of economists in a socialist country consist of? What kind of sources did you have access to?

My experience as a student in Poland was in the course in Economic Planning we already mentioned. The topics were how the planning process was organized, and growth and development theory. Among the teachers, apart from Brus, who was teaching planning, I still remember Ignacy Sachs, who was teaching economic development. Later he went to the Ecole Pratique des Hautes Etudes in Paris.

The interesting thing about Poland was that in the library of the Central School of Planning and Statistics there was all the world literature on economics. You could find all the international journals of the day. All the books. There was no censorship on what one could read. Whereas in 1966, together with a group of students and teachers from the School of Planning, I went from Warsaw on a field trip to the School of Planning in Prague, Czechoslovakia. And there I was told that foreign literature was not normally accessible.

What difference was there between the “theoretical” planning you studied at the university and the practical one carried out by socialist institutions?

In the lectures on planning at the diploma course in Economic Planning, they taught us that the goal of the plan was to produce a document with some internal consistency, without any particular ambition of “optimization”. All that theoretical debate on how it was possible to reach an optimization of the plan similar to that of the market in terms of Pareto optimality did not have much practical relevance in reality. Oscar Lange's model, for example, had also been much discussed in Western economic literature. Starting from those two famous articles published in 1936 and 1937 ('On the economic theory of socialism', Part One and Part Two), Lange had tried to demonstrate that the planners could use a process of trial and error, of

successive corrections and iterations, to achieve an optimal allocation of resources.

In the concrete practice of planning, all of this did not exist. The best you could get was a document. A document whatever. Without optimal allocations, without far-reaching iterations. No overall iterations could be carried out because there was no time. The best you could get was to find a certain logical correspondence between the commitments assigned to the various actors in the production process. In practice, they tried to match outputs and inputs in the chain of vertical integration of production. But it was a very chaotic process, given that it also had to incorporate the priorities decided at the political level. Basically, these were dynamics not too dissimilar from those that dominate the approval of public budgets even in modern capitalist economies: one thing is the economic models, another thing is the pressures and interference of the political sphere which concretely decides the use of resources.

In the socialist planning of the time, the previous year was taken as a starting point. And then they tried to make adjustments in line with the policies of the moment. But, in fact, this political juxtaposition also prevented the document from having an effective, rigorous technical coherence. With the result that the objectives of the plans were almost never achieved. Hence Kalecki's criticism against "voluntarism".

At the university, we studied planning as an exercise that should have been at least formally coherent. I remember the lessons of Brus, who had a very realistic approach from this point of view. Lange's models were not really taken into consideration. The "real" theory of planning was simpler than those models. The real "practice" of planning was - I would say - down to earth.

You compared the plan-making process to the negotiations for the public budget in modern capitalist economies. In the latter case, though, politicians are exposed to pressure from a variety of interest groups. Groups to which politicians must respond within a relationship of democratic representation. In a socialist

regime like Poland's, what prevented politicians from sticking to a technical coherent plan?

First of all, ideology, epitomized by Stalin's famous words: "There are no fortresses the Bolsheviks cannot storm". The plan was usually too optimistic and practically infeasible. To do the contrary, that is to say, not to be ambitious enough, could be seen as some form of defeatism. However, even without the distortions created by infeasible goals, some basic issues affecting the "logic" of planning would not be solved anyway.

The first problem is that the targets of the plan were basically volumes of production, not the level of profit (where the latter is the value of production less the value of the resources used). This created two types of inefficiency. The single production units had no interest in using efficiently the resources available to them since their cost was not basically accounted for, as the target was the production, independently of the opportunity cost of the resources made available. Therefore, producers were interested in grabbing as much productive assets as possible, independently of present needs and of their productivity in alternative uses elsewhere. That is why producer units tended to be relatively oversupplied in the "priority areas" (such as heavy industry and military procurement) and relatively under-supplied elsewhere. Moreover, there was the issue of the quality and composition of the product. How to measure the quantity and quality of what would be produced according to the plan? To repeat a standard argument, if the production of nails were to be measured according to weight, the best way to fulfil the plan – in theory – was the production of a single big nail. Of course, the assortment could be improved by considering the value of the nails produced by assigning a price to the different types of nails and imposing some kind of assortment however measured. But how to set the prices, and what about the quality?

The fact that quality suffered because there was no way in which consumers could transmit their evaluation of the commodities purchased to the suppliers was a constant feature of socialist planned economies. In the 1980s Gorbachev tried to improve the quality of production in the USSR through an agency (*Gospriyemka*, State Acceptance) that was granted the

right to refuse the distribution of the goods of low quality. The unwanted consequence was a dramatic increase of scarcity.

Have you managed to get a first-hand experience of the problems affecting the production process that followed the plan?

I remember once they took us to visit a factory together with some American graduates. The Americans noticed that many machines were left idle. The explanation was that the production objectives decided by the plan were based on a measure of production capacity based on former production. Therefore, it was not convenient for them to produce at full capacity in the period in which these measures were taken. It was better to artificially reduce production in order to reduce the demands that would be included in the plan. Then, when the time would come to verify the achievement of the objectives previously set by the plan, they would be working at full capacity. And that was because bonuses and production rewards depended on achieving those goals. These are dynamics that can be well studied through game theory. And even in this case we can find a sort of equivalent in modern capitalist economies: in socialism the producers tried to hide their real productive capacities from the planner in order not to be given too unreasonable production objectives and to be able to receive their bonuses. In capitalism the producers try to hide their real ability to earn from the public authority in order to pay less taxes.

It was exactly because of these problems that alternatives to pure central planning were considered in several socialist countries at the time. For instance, market socialism. What is your opinion of the idea of market socialism?

In a socialist economy all enterprises must be public. And this, of course, also applies to a market socialist economy. So, the idea of market socialism is based on a prohibition: mutually beneficial contracts between potential entrepreneurs who would like to hire workers, and workers who would like to be hired, are in fact prohibited.

Let's take a hypothetical example: I am a technician with the potential

of taking advantage of innovations and a good business idea. I could rent some means of production and hire workers to work for me and have the satisfaction and the gain of running my own firm. Prospective employees might have every interest in accepting my offer, because rather than being poorly paid, even if taking advantage of some slack, they could prefer to work more intensively, but having better wages, if my firm will be more productive than alternative state enterprises. The economy as a whole could have an advantage. Because of greater economic and possibly technical progress, more could be produced and distributed. In market socialism, all this, in theory, would not be allowed. But once you get past the idea of the plan and embrace the idea of the market as an instrument of coordination, it is difficult to maintain the above prohibition. With what justification do you prohibit something that seems to benefit all parties involved? It is an inherently unstable model. And, in fact, in the countries that have gone that route, the share of the private sector has gradually expanded. Look at what has happened in China and in Vietnam.

So, you don't consider the Chinese model to be "market socialism"...

Presently it is certainly a kind of a market economy. The Chinese model is a complex model and changing in time. It is based on empirical experiments which, after the end of the Maoist disastrous period, began at first even outside of legality. When the Chinese leadership realized that something was working, that is when the experiment turned into institutional innovation. It was introduced first locally, then nationally, on the basis of the principle that "it doesn't matter whether a cat is black or white, as long as it catches mice". The result is a hybrid state-private market economy that is difficult to predict in what direction might evolve. Lately the Chinese leadership seems to want to backtrack and keep the private side of the economy under stricter control.

Historically, the reconciliation of socialism and the market has also been invoked to promote a democratic evolution of

political institutions in socialist countries. Many see the planned economy as incompatible with liberal democracy. We could think, for example, of Hayek's reflections on this. In your opinion, are socialist planning and democracy compatible?

In a completely theoretical line, one could have a system that guarantees to individuals all the basic human rights (the freedoms of expression, press, organization, etc.) while the sphere of economic organization would be reserved as the exclusive domain of the state. In such a system, political leadership could be freely elected by the citizens and therefore the planners themselves would be accountable to the sovereign people. This would be the institutional framework within which "democratic planning" could take place. From this theoretical point of view, it may seem there to be no incompatibility in principle between socialist planning and democracy.

In reality, however, things are more complex. When political power also wields economic power, it is really difficult to go against this power. In a system in which all sources of income are derived from the state, the risk that the freedom of individual citizens would depend on the benevolence of those in government is overwhelming. Moreover, would it be compatible with the state monopoly of economic organization the freedom of issuing, say, a newspaper or some other form of cultural and informational production (such as a radio or a TV station or books publishing)? How would the corresponding resources be allocated in the framework of the plan?

In a genuinely democratic regime, moreover, citizens might well decide that they do not want a planned economy and they want to have rather freedom of economic initiative. Then the problem would be how to maintain the system. There could be some constitutional provision guaranteeing the persistence of the system. But it would be difficult to maintain it against the will of the majority of the people.

There were no such problems in socialist Poland. . .

Indeed. I remember once, returning to Warsaw from abroad, I was struck by seeing so many election posters on the walls. "Vote for the National Unity Front", they said. Then I asked: but what other lists are in the race?

“None”, I was answered.

I also went to see how the elections were being held. They were held exactly as in the West, but with a crucial reversal. In the West the vote was secret, and the ballot was public. In Poland the vote was public, and the ballot was secret. Then, after the counting was done very secretly, completely unbelievable results came out. Like that the party secretary had been elected with 99 percent of the vote.

Having said that, it should be added that in Poland the regime was not very tight. Compared to other countries of real socialism it was in fact a relatively “liberal” regime. My fiancée’s father was an engineer working independently as a plumber. After the war the family had owned a thriving furniture shop that was forcibly taken over with no indemnification by the state. He told me that at every election he would go to the polling station, take the ballot and tear it up in front of everyone, asking: “where should I throw this away?”. No one ever said anything to him. It was not like in Czechoslovakia or East Germany, where these things were taken much more seriously. In Poland there was a kind of complicity in the population: certain things were done because they had to be done owing to the circumstances. Sometimes you even had the impression that even those who ran the regime were not entirely supportive of the regime after all.

According to my experience of the 1968 events, intellectuals believed to be involved in activities critical of the regime were removed from their university teaching or other jobs that involved contact with the public. But they were not left unemployed. They were usually given a position in some obscure research institute.

Even in Poland, however, there were periods when repression became harsher.

Yes, certainly. For example, following the student demonstrations in March 1968, which I just mentioned. I had left to Italy in February, as I had been offered by professor Pesenti a fellowship of Consiglio Nazionale delle Ricerche (CNR), attached to his chair, for one year. So, I followed those events from a distance. But many people I knew - among others, Brus,

Łaski and Gomulka - were affected by the “anti-Zionist” campaign that accompanied the repression of the student movement. Gomulka was not Jewish, but his wife Joanna, who was a mathematician, was. Looking at the political and ideological meaning of those events, Brus and Łaski and some others were dismissed not because they may have had a communist orthodox past during the dark times of Stalinism, but because they had become revisionists, and they were not orthodox communists anymore.

I also remember that at that time the Polish government gave permission for those of Jewish origin to leave Poland. And this, paradoxically, was viewed with envy by some. There was even a “market” for settling down with a Jew: there were people willing to pay to have a marriage of convenience with a Jew or a Jewess in order to get out of Poland.

Łaski left Poland quite early, working first as a research fellow at the Austrian Institute of Economic Research and then as a professor at the Johannes Kepler University in Linz, even if in fact he carried on living in Vienna. When I travelled by train from Poland to Italy, I always made a stop in Vienna to pay him a visit.

Brus at the start did not want to emigrate and stayed working for some years at the Institute of Housing. Eventually, after losing any hope of a change of circumstances in Poland, in 1972 he went to the UK, where, after a year in Glasgow as a Visiting Research Fellow, he moved to Oxford. There, eventually, he became a professor of Modern Russian and East European studies.

With Łaski’s exile I was left without a doctoral thesis advisor. I asked Kalecki if he would be willing to be my thesis advisor, but he rightly objected that he could not be a thesis advisor for a thesis whose subject matter was his own work. Fortunately, Wladislaw Sadowski, another scholar working on growth theory, and regular attendee of Kalecki’s growth theory seminar, agreed to do it.

After the CNR fellowship what did you do?

After the one year CNR financed fellowship I moved to another fellowship in Pisa. This was, again, thanks to Professor Pesenti who introduced me to

his colleague in the faculty of Economics, professor Veniero Del Punta.

I am very grateful to Pesenti for helping and supporting me in my academic career. Pesenti knew that I was not a communist. But he was a broad-minded man, not at all a sectarian.

From December 1969 to January 1972, I went first as a visiting lecturer and then an associate professor in the Congo, at the Université Officielle du Congo in Lubumbashi first, and then in Kinshasa, thanks to the introduction by a colleague, an ordinary assistant, with permanency, to the chair of professor Del Punta, who had been a very highly regarded professor of Economics there. Then in 1972, after returning as a lecturer in Pisa, I defended my doctoral thesis in Warsaw.

Meanwhile, a new political season had opened in Poland. The era of Władysław Gomułka had ended with the 1970 uprisings and Edward Gierek had come to power. The latter had inaugurated a cycle of major reforms.

Gierek's reforms were largely based on the creation of a large foreign debt. There was the idea that if you imported technology and capital from the West, then the effects in terms of productivity growth would make it possible to repay what had been borrowed without problems. The idea in itself was not wrong. The problem was its implementation.

I remember a conversation with Brus in which he ridiculed these initiatives, talking about *komu licencje* (patent communism) because of the ease with which businesses were being offered the opportunity to acquire a Western license. In reality, this import of resources was not matched by shrewdness in their management. For example, Brus told me with an air of outrage that a factory of tractors had been acquired from the United Kingdom. But these were huge tractors for very large production units. In Poland there were still many small private peasant estates, and this kind of machinery was not at all suitable (perhaps the idea was to get rid of the many small private farms, merging them in big state farms. In fact, this did not happen). The most ridiculous thing was that everything worked with imperial measures, which were the ones used in the UK, but which nobody knew anything about in

Poland.

It's a little anecdote, but it makes you understand well the structural flaw in this kind of reform approach, which was also the produce of the top-down organization of the political and economic system, with lack of adequate checks and balances. It was all based on a very abstract conceptual model adopted centrally by the party. In reality, that was the beginning of the end of the regime.

The attempt ultimately was to raise the standard of living of the population by increasing the capacity for consumption.

My experience in Warsaw, from this point of view, should not be taken as illustrative of the overall situation in the country. In the times I was in Warsaw, in supermarkets I could find everything I needed (mainly foodstuffs, and, unfortunately, cigarettes). I remember the lines for certain types of goods, such as the long queues formed when women's boots arrived at a particular shop and the ladies would share the news by word of mouth. But, overall, there was no shortage for what I required.

It is well known this was not the situation outside Warsaw, although I have not a personal, direct experience of that.

What about the variety of these goods?

That is another matter. When we discuss about central planning, another important point to be taken into consideration is the incentives towards innovations in the area of consumer goods, as well as of organizational innovation. It is conventional wisdom that in "real socialist" countries substantial innovation and technical progress in the area of the production of consumer goods were absent. It is a common saying that the only substantial invention was the Rubik cube, and this was produced not by a state entity but by a private individual.

However, in the area of military procurement and of scientific innovations such as in space research the socialist camp was not any worse than the capitalist world, not only because these were priority sectors, but also because there was not much difference in incentives with the West, since in

both cases the final customer was the State.

Did you pay for everything with the local currency, zlotys?

Yes. From 1972 there were some special shops, Pewex shops, where you could use dollars to purchase foreign goods, but I never did it. In practice there was a dual exchange rate. The official exchange rate was 24 zlotys for \$1. But there was a “black” market where you exchanged \$1 for 100 zlotys. The special feature was that the government in fact intervened in the black market, managing to keep this second exchange rate basically fixed as well. Thus, there was a “semi-official”, even if formally illegal, and in theory criminally sanctioned, black market rate. The Polish used to say: *nie wolno, ale można* (it is not allowed, but you can). Of course, it was wise to use some precautions in accessing the black market.

Returning to the question of consumer goods what was the reason for their limited availability, in particular outside Warsaw?

First of all, as we said earlier, the plan was only partly feasible, given its voluntaristic nature. Consumer goods were used as a “buffer”: the levels of their production could fluctuate according to circumstances. Priority enterprises, in order to achieve the goals of the plan, demanded additional resources. These additional resources created demand for labour and a wage fund that had no counterpart in the consumer goods available. A fundamental characteristic of the system was the excess of labour demand as well as of consumer demand. I remember that if you looked at the statistics from the labour offices, even at the times of crisis, when the system was about to collapse, there was a very noticeable imbalance between job vacancies (demand for labour) and workers actually available. The data released by the labour offices in the last years of Communist Poland are reported and discussed in my article ‘La nuova legge polacca sull’occupazione’ [The new Polish law on employment] published by the Italian journal *Rivista Italiana di Diritto del Lavoro* (1990).

In addition, prices of many good and services were kept well below market clearing levels. For example, taxis were very cheap, but exactly for this

reason there were often no taxis available around. This created a thriving offer of irregular taxis, mostly - I think - of drivers of cars assigned to public office of a sort or another, in their spare time. I tended to avoid them first of all because of the uncertainty of the price (an unpleasant transaction cost), and secondly because in practice the price was markedly higher than that of the official taxis. When I arrived in Warsaw the first time, in December the 5th 1965, I was directed by somebody to take an unofficial taxi (a Volkswagen beetle, I still remember) in order to be brought to the main building of the School. The irregular taxi driver required for the service the payment of one dollar, which was much higher than the regular taxi fare. When I told later it to Łaski he laughed and said: *Pan był zielony* (you were green, that means naive and inexperienced).

For János Kornai, certain firms' ability to access unlimited resources was ultimately related to their "soft budget" constraint, to not having to deal with a tight budget. Kornai saw this as an inherent and ineradicable characteristic of planned economies.

The soft budget constraint was itself a consequence of the fact that the plan in principle was unfeasible, so the budget constraints could not be "hard", at least in the priority sectors.

Moreover, in these kinds of economies there was also a major productivity problem. There was among the workers a form of "anti-system collusion." This is something that can be seen very well in a film by the great Polish filmmaker Andrzej Wajda, *Man of Marble* from 1977. The film takes up the story of this exemplary worker, a workaholic ideologized by the regime and presented as a model to the people. But the other workers detest him because he ruins everybody else's reputation and contributes to keep high the planned achievements for everybody else. Then somebody heats up a brick that the star bricklayer must handle. He burns his hands and that is the end of his star bricklayer career.

Beyond the film's narrative gimmick, there was really a kind of unspoken agreement to work "quietly". Not least because if work goals were increased, workers were then worse off, since their wage would not be increased, and

they could have more difficulties in achieving the targets and getting the bonuses. There was a joking saying in Poland at the time: the workers pretend to work, and the State pretends to pay them.

Here we touch on the age-old problem of “incentives”, one of the most discussed topics in theoretical reflection on socialist economies.

It must be kept in mind that as demand for labour exceeded supply, unemployment in principle did not exist. However, wages were low. Workers were also facing a problem of availability of goods. All these elements together had an adverse effect on the incentive to work.

With respect to the availability of goods, it is also worth to point out that some people had more access to certain types of goods than others.

Yes, workers in priority industries, or employed in firms particularly relevant from the point of view of the interest of the state and the economy, could enjoy some privileged access to scarce goods in excess demand, such as housing.

There were the privileges of the nomenklatura too. I remember, for example, a relative of my fiancée, who was an official of a kind of “puppet” party that was supposed to protect the interests of small businessmen (there were small businessmen there, too). He was the happy owner of an Alfa Romeo Giulietta.

I also remember the *sklepy za-żółtymi-firankami* (shops behind yellow curtains) where only members of the nomenklatura could shop and where there were goods that “ordinary citizens” did not have access to.

One more thing needs to be added, however. That economic system had actually created a society that was relatively egalitarian in terms of the distribution of income, and even more of wealth.

In addition, not only did material wealth appear to be distributed in a basically relatively egalitarian way, but a certain egalitarian and solidaristic “ethos” among people was also widespread. At least, this is what I can

say according to my personal experience, that could obviously be affected by the kind of people I was dealing with. I remember vividly that in the management of daily life, those who had a few extra lent it with great ease to those who needed money to make ends meet. For that matter, there was no incentive to keep money aside and save: goods were scarce, and inflation was there too. Also, no investment opportunities were available. It is not like you could buy stocks or bonds. So, it was all spent at the drop of a hat. Because, as mentioned, jobs were easily found, even if poorly paid, even saving for “precautionary” purposes made little sense.

I have written extensively on the subject of income distribution under socialism in general and in socialist countries in particular. The two main problems with the latter topic were the differential access to consumer goods, and the fact that prices were not market clearing prices. That is why I have always been somewhat sceptical towards the attempts to measure in quantitative terms the structure of income distribution in socialist countries based on monetary income distribution only.

As for your specific situation, how do you rate your Polish experience from the point of view of your daily life?

I lived well in Poland. I enjoyed the social and cultural opportunities of living in the middle of a capital city. Every Thursday evening I would go with my fiancée for the weekly concert of the *Filharmonia Narodowa*.

Theatres were also excellent and cheap. I still remember the sensation made by the first performance in Warsaw of “Tango” by Sławomir Mrozek, with all its audacious political innuendos.

We must consider that I was a foreigner, and therefore I also had privileges compared to the rest of the population. First of all, I had some extra money (especially whenever my parents after a trip home in Italy gave me some cash). As a Westerner, when I moved from the student house, I was able to rent at a very reasonable price a self-standing apartment. This would have been impossible for a Pole: a Westerner would present much better guarantees to pay the rent and to move once the “owner” would need the flat. Even the definition of “owner” should be taken with some

caveat: it seems to me that in most cases rather than real owners they were public housing recipients taking advantage of their *de facto* ownership after moving somewhere else (a phenomenon quite present with council housing elsewhere, in Italy in particular). Otherwise, for a Pole, housing conditions in Warsaw could be hard. At the time I had befriended a couple, both graduate journalists working at PAP, the state news agency, living in a rented relatively small room in the larger flat belonging to a tailor for whom the flat was both home and workshop.

I also had freedom of movement that Poles did not have. In particular, Poles could not travel freely abroad. To travel abroad they had to be invited by someone. And the invitee had to declare that he or she would take responsibility for any additional costs – for example, those related to health care – that the Polish citizen might incur. But beyond the formal barriers, there was a cost-of-living problem: Western prices were completely prohibitive for a Pole given the exchange rates. Just to give an idea of orders of magnitude: in Warsaw with 100 zlotys, or the equivalent of \$1 at the black market, you could go for dinner for two in one of the best restaurants in downtown Warsaw (obviously with no wine). It was clearly unthinkable to do such a thing in any Western European or American city. I do not have specific information on this, but I am quite sure that the amount of hard currency Poles were able to acquire at the official rate while going abroad was utterly limited.

Of course, there were some less pleasant moments, first of all because of the weather: -20 degrees in winter! However, I must say that the heating was excellent, because the buildings were connected by teleheating to coal power plants that were situated accordingly close to the centre of towns.

And then at the border the controls sometimes may have been annoying. I remember how envious once we were, I and another Italian graduate student, towards some Catholic priests who were let go through border controls without any control at all and with much deference.

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- ‘The Theory of Growth of a Socialist Economy of M. Kalecki’ (1971) *Economics of Planning*, vol. 11, no. 3, pp. 161-188: the paper illustrates the affinity between Kalecki’s model of socialism and the neoclassical growth model.
- ‘Technological Conditions for Balanced Growth: a Criticism and Restatement’ (1974) *Journal of Economic Theory*, vol. 9, no. 2, pp. 171-184 (with S. Gomulka): the findings of this paper suggest that labour augmenting technical progress is not a necessary condition for steady state growth in the neoclassical growth model and that the classification of technical change by Harrod is equivalent to that by Kalecki.
- ‘Socialist and Communist Income Distribution in Marxian and Soviet Marxist Thought’ (1978) *Il Politico*, pp. 698-710: the article analyses how and to what extent Marx’s ideas on income distribution in a socialist society have affected income distribution in “real socialism”.
- ‘Income Distribution under Soviet-Type Socialism: An Interpretative Framework’ (1980) in *Journal of Comparative Economics*, vol. 4, no. 1, pp. 1-18: the article analyses the processes that govern distribution of real personal incomes in a socialist economy.
- ‘Breit, Kalecki and Hicks on the Term Structure of Interest Rates, Risk and the Theory of Investment’ (1982) in *Advances in Economic Theory* (ed.) M. Baranzini, pp. 80-89: the paper shows the originality of

Kalecki's principle of increasing risk and how it can be related to term structure of interest rates and supply of credit in the theories of Breit and Hicks.

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- 'Kalecki's Quest for the Microeconomic Foundations of his Macroeconomic Theory' (1989) in *Kalecki's Relevance Today* (ed.) M. Sebastiani, pp. 101-120: this paper presents the structure of Kalecki's macroeconomics; it provides a clear overview of Kalecki's assumptions and how the link between microeconomics and macroeconomics is at play in Kalecki's macroeconomic analysis of the income distribution.
- 'Market Socialism: a Historical View and a Retrospective Assessment' (1992) *Economic Systems*, vol. 16, no. 1, pp. 171-185: the article analyses the ideological roots of the concept of "market socialism". It also assesses the Hungarian and the Yugoslav experiments of market socialism to understand whether its failure was due to faulty policies, or to the intrinsic weaknesses of the socialist market models.
- 'The Economic System as an End or as a Means: the Socialization of Consumption, and the Future of Socialism and Capitalism' (2002) *Economic Systems*, vol. 26, no. 4, pp. 401-407: the paper makes the case for how socialism as an economic system may be reoriented towards a system of social preferences with a focus on equality and social justice without the original focus of socialism on the ownership of the means of production; this short paper is extended in a later version published in 2014.
- 'Kalecki's Theory of Income Determination and Modern Macroeconomics' (2004) in *Kalecki's Economics Today* (eds.) Z. Sadowski and A. Szeworski, pp. 71-78: this paper discusses Kalecki's macroeconomic model, in particular his theory of income distribution,

and highlights the essential points of Kalecki that have been absorbed in new Keynesian macroeconomics such as imperfect competition.

- ‘The Economic System as an End or as a Means, and the Future of Socialism: An Evolutionary Viewpoint’ (2014) in *Economic Crisis and Political Economy: Volume 2 of Essays in Honour of Tadeusz Kowalik* (eds.) R. Bellofiore, E. Karwowski and J. Toporowski, pp. 10-28: building on the previous published paper in 2004, Chilosi makes the case that the instructional configuration and organisation of the economy should be so that capitalist and noncapitalists organisation of work could operate on an equal footing, i.e. if sufficiently efficient one method will outcompete the other.

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