

Lajos Bokros

Socialism— The Tragedy of an Idea

Possible? Inevitable? Desirable?

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In memoriam
Ágnes Heller
(1929–2019)

Preface

To write a book on another is tricky. To write one about five others is even more so. But sometimes, it is necessary, especially, when old and wholly discredited ideas come back in new clothing and claim their place under the sun as if they were new, with no antecedents, no history, no earned fame or disgrace.

One such idea is about *socialism*. The concept of socialism as a necessary, or even desirable solution to most, if not all problems of capitalism and democracy would come back intermittently but surely as the wind to an ideological turbine. Modern capitalism and liberal democracy are *outrageously imperfect*—we have poverty, income and wealth inequality, environmental degradation, social exclusion, war, civil unrest, terrorism, etc.—so why not to try something else? But what is socialism? Soviet communism has surely been fatally discredited, but there should be many other, more viable, more efficient and at the same time more humane forms of state-sponsored, or perhaps even stateless collectivism. The impersonal and soulless market and the hopelessly alienated representative democracy—often captured by seemingly unbreakable special, even oligarchic interests—cannot be the ultimate achievements in human progress and in global institution building. There must be a conscious and solidaristic form of human cooperation in society instead of the seemingly blind and inhumane coordination of the markets. There should be a more direct way of individual participation in societal affairs than parliaments and parties. If there is to be further progressive development of humankind, *more efficient and more humanistic institutions* are to be discovered or invented.

“Socialism with human face”. That was the slogan of the Communist Party of Czechoslovakia when initiating the “Prague Spring” more than 50 years ago. Although the experiment was brutally crushed by Soviet and other Warsaw Pact

armies, the idea must have been supreme. Undoubtedly, nice and attractive. Life cannot turn out to be so cruel as to deny any possibility to realize it.¹

Seventy plus years ago, during and immediately after WWII, socialism seemed to be not only possible but rather desirable. If not, then at least wholly inevitable. Western intellectuals were almost completely united in their rational acceptance of this new stage of development which seemed to be coming no matter what. Capitalism was considered irreparably damaged by thirty years of global war and a seemingly insoluble existential crisis.² Socialism at that time was still not a discredited concept despite distortions in the Soviet Union.

I was born in 1954, one year after Stalin had passed away. Socialism was an everyday harsh reality in my country, Hungary, which was under Soviet rule as a consequence of losing WWII in the foolish service of Nazi German interests and of the Yalta agreement. Since the communist party had very shallow roots in society, it compensated for it with a particularly overzealous leadership which wanted to accelerate the presumptive progress of Hungarian society toward communism at all costs. Mátyás Rákosi, general secretary of the Hungarian communist party, proudly declared himself the best disciple of Stalin. Throughout the tragic and checkered history of their country, curiously, Hungarian political leaders proved to be either radical, fierce, uncompromising freedom fighters or extremely obsequious servants of foreign interests.³ In this particular case, the latter type of behavior prevailed.

¹Ironically, the crushing of the Prague Spring by Soviet tanks helped the idea to remain nice and attractive for long. Had it not been for the Warsaw Pact intervention, the initiative of the Communist Party of Czechoslovakia (KPC) may not have survived for long either; it may have succumbed to its own internal contradictions. Reforms in Central Europe under communism prove that clearly. Market-orientated reforms always introduced growing inconsistency into the command economy. See Bokros (2013). At the same time, the easing of censorship would have put the basic tenets of Soviet communism in jeopardy. If free speech and free press had truly been allowed, sooner rather than later the basic questions regarding the organizing principles of economic and social life would have come to the fore. Should private property be allowed? If yes, to what extent? Are there limits, restrictions, not to be overstepped by the natural growth of private enterprise? How far competition stemming from private activity could be tolerated? If economic competition is to be had, what about political competition? Should non-communist parties be legalized and allowed to participate in political life? Can free and fair elections be allowed? Is multiparty democracy incompatible with socialism? The list of such “impertinent” questions arising in a free speech, free press and free assembly environment would and must have been endless.

²See Ernst Nolte (2000). Although his version of history is not without controversy, the crisis of capitalism in Central and Eastern Europe is clearly stated in his wide sweep of European history as a root cause of civil war based on extremist ideologies. The Marxist perspective is offered by Hobsbawm (1994), which is equally controversial. More balanced views on the Russian revolution are offered by Brown (2009) and Figes (1996).

³See Paul Lendvai (2003).

Why is it important at all? Hungarian society was almost completely hostile to Soviet communism. The new society in practice was very different from anything ideologically conceived. But the overwhelming majority of *Western intellectuals did not know real communism*.⁴ They were prisoners of their well-intentioned, but wholly superficial *Weltanschauung* of “*liberté égalité, fraternité*” reflecting the spirit (although not always the letter) of early Marxian political writings. They imagined and desired something much better when comparing their theoretical construct about socialism to the realities of Western European and American capitalism. This was the fountain of tremendous confusion.⁵

By the end of WWII, Western intellectuals had already established a curious and perplexed relationship to Soviet Communism. Those who viewed market capitalism obsolete, at least in its *laissez-faire* form, had no choice but to accept the brutal non-market orientation of Soviet communism, as a default option.⁶ They did not bother themselves to invent a new name for the economic aspect of the Stalinist Soviet model, they simply followed the Bolsheviks by calling it *mandatory central planning*. Those, like Karl Popper, who felt that the market mechanism should be preserved although in a controlled or regulated form, considered the mandatory character of central planning unnecessary. Those, like Friedrich Hayek, who realized that the suspension or elimination of markets would also restrict political freedom were sceptical even with, and rather hostile to, the non-socialist attempts of pervasive state intervention.

Today, the global situation is very different. Soviet communism is no more. The Chinese and the Vietnamese have embraced the market and largely given up the command economy. Market-supplanting variations of socialism have retreated to the fringe and can be observed only in small, rather insignificant outposts. More importantly, those countries which repudiate market forces have sunken into abject

⁴A small circle of Marxist intellectuals, while repudiating the Stalinist model of communism after 1956, tried desperately to remain faithful to Marxism by unearthing obscure writings of the great prophet, like the “Economic and Philosophical Manuscripts” and the “German Ideology” and declaring them to contain the original Marxian thoughts. Curiously, these were essays Marx himself chose not to publish. See Judt (2005) pp. 401–407.

⁵In April, 1973, an international conference of leading leftist Western, Yugoslav and Polish émigré intellectuals was held in Reading, UK, organized by the university and a publishing house. The volume containing the papers presented in this conference was published next year (Kolakowski and Hampshire, 1974). One of the editors, the famous Polish dissident scholar wrote on the very first page of his introduction something extremely revealing. He mentioned that the original title of the book was intended to have been “What is wrong with the Socialist Idea” but later it was changed into a milder one: “Is there anything wrong with the Socialist Idea?” The final title of the book is even milder: “The Socialist Idea”. This painful metamorphosis speaks volumes about either the ignorance of Western intellectuals on the reality of socialism or their intellectual dishonesty and shows their desperate efforts to save something of a clearly utopian thought after it was finally and fatally discredited by the Warsaw Pact invasion of Czechoslovakia in August, 1968.

⁶Karl Polanyi and Joseph Schumpeter did exactly that—with much reservation and some emotional aloofness. While Polanyi considered it also desirable, Schumpeter viewed it as merely and sadly inevitable.

poverty (e.g., Cuba, Venezuela, North Korea). Hence, none of them represent attractive alternatives any longer.

The concept of socialism has fundamentally altered in the developed world. The right and left division of the political and ideological spectrum holds no longer. Far right parties have adopted many of the etatist characteristics of former leftist worldviews, while far left parties have become much less tolerant with traditional liberal social values especially regarding migration or sexual orientation. Hence, extremist parties, both right and left, can be considered more socialists in economic affairs and more conservative in social affairs.⁷ The meaning of socialism has become blurred.

The Great Recession, i.e., the global financial crisis of 2007–2009, unleashed tremendous anger and frustration with markets, capitalism and democracy. Socialism as a possible way out of the crisis registered yet another comeback. But this time around it is more a revolt against the establishment, the corrupt elites which were unable to prevent the global financial system from melting down. Ways to solve the crisis just added to the anger and frustration, when banks—and even bankers—were saved but not jobs. Moreover, events have amply demonstrated that capitalism and representative democracy might be captured by special interests. The question is whether these fundamental problems can be remedied within the market economy and representative democracy or there is a need for an even more comprehensive rethinking and rebuilding of economic and political institutions. If yes, socialism is always worth analyzing as a potential alternative.

This book is about proving that socialism, whatever definition we apply for it, albeit *feasible, is neither inevitable, nor desirable*. That was not at all clear a century ago, although I believe, and try to show in the present book, it must have been. Irrefutable theoretical arguments for the undesirability of the Bolshevik variant were already provided one hundred years ago and were widely known.⁸ But substantive refutation of any concept comes only after its failure in reality. As a consequence, vigilance must be preserved. *Rejecting socialism depends ultimately*

⁷The best proof of this was the existence of the short-lived governing coalition between Movimento Cinque Stelle (M5S) and La Lega (formerly Lega Nord) in Italy in 2019. Both parties are populist, etatist and nationalist; that is why they were able to form a coalition in the first place. Less well known was the coalition of the Greek Syriza, a far left populist party, which governed in coalition with a small party called the Independent Greeks (ANEL), a right-wing radical party between 2015 and 2019. More of this uncomfortable marriage of convenience between strange bedfellows can happen in the future. Coalitions of extremist parties reflect the obsolescence of the conventional wisdom of labelling them left or right. See Bokros (2019).

⁸See Sect. 2.1.

*on our values.*⁹ Rational arguments mean very little. Either we believe in liberty or we give it up willingly. To strengthen our values and beliefs in liberal democracy with rational arguments—this book might be of significance.

Vienna, Austria

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⁹This is going to be a key point throughout this book. Enthusiastic devotees of liberalism and capitalism may not necessarily be different from ardent fans of Socialism and Communism in this regard. Both can claim that their credo is the only one based on “impartial” scientific, i.e., rational analysis. Marx has maintained that historical materialism is the only scientific way of approaching human development and as a consequence, it is irrefutable and unbiased when it foresees the inevitable arrival of socialism. Ludwig von Mises, the great Austrian libertarian, who was undoubtedly a teacher for Schumpeter, Hayek and Popper maintained that liberalism is an ideology based entirely on scientific grounds, hence excluding both values and emotions like optimism and pessimism. See Mises (1985), p. 61.

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Chapter 1

Introduction



1.1 Personal Sketches with Historical Background

The analysis to be found in this tome is based mainly on *five famous books* written by *five distinguished scholars* right in the middle of the last century. Four of them were published during WWII and within four years, an extremely short period of time. In order of chronology, but without order of importance, these books are the following: Joseph Alois Schumpeter: *Capitalism, Socialism and Democracy*, 1942; Karl Polanyi: *The Great Transformation*, 1944; Friedrich August Hayek: *The Road to Serfdom*, 1944; Karl Popper: *The Open Society and Its Enemies*, 1945. The last one came to light somewhat later. It is a magnificent book of Hannah Arendt: *The Origins of Totalitarianism*, published in 1951.¹

While it is remarkable that the first four of the five was published within just four years; even more significant that they appeared in public *during* WWII. These were extremely important years, full of tensions and deprivations, first and foremost for the ongoing gigantic existential struggle against Nazism and fascism. The future of the free world and liberal democracy was on a knife's edge. It was far from certain that the forces of liberal democracy would prevail.²

Another exceptional and extremely interesting feature of all these books is that they were written by *scholars versed in, even stemming from, the German culture*.³

¹Interestingly, but purely by chance, this is also the order of chronology of birth for these scholars.

²See Lukacs (2001) and (2010).

³By the turn of the nineteenth and twentieth centuries, the German high culture was equally strong, important and widespread as the English or French-language culture. The hegemony of the USA was yet to be seen. It is quite appropriate to consider the belle époque of this first and Europe-led globalization as an inherently multicultural phenomenon. Many cities, now painfully unilingual, were vibrant Babels of multilingualism: Trieste/Trieste/Trst (German, Italian, Slovenian), Thessaloniki/Salonika (Greek, Turkish), Skopje/Ūsküp (Macedonian, Serbian, Turkish), Sarajevo (Bosniak, Croatian, Serbian, Turkish), Fiume/Rijeka (Italian, Croatian, Hungarian), Wilno/Vilna/Vilnius (Polish, Russian, Lithuanian). All of them had a significant Jewish population with or without a separate language.

The first four had been born in the *Austro-Hungarian Monarchy*, a historically significant and venerable multiethnic state which, although it had been more than twenty years defunct by the time of their writing, still evoked a vivid memory.

Schumpeter was the oldest: He came to the world in 1883, in the same year when Marx died and when nobody in his/her right mind had contemplated the eventual demise of the seven-hundred-years-old Central European multiethnic, multinational monarchy.⁴ Schumpeter spent more than half of his life in the Habsburg monarchy and died relatively young, at the age of 67 in January, 1950. He considered himself a conservative, a faithful adherent to market capitalism. Although he had Czech family ancestry, he viewed himself a German Austrian.⁵

Karl Polanyi⁶ was born in 1886 into a Jewish family in the then boomtown of Vienna, capital of the thriving Austro-Hungarian Monarchy. Despite being born there, he proudly regarded himself Hungarian. He attended Budapest University, which was a new center of academic excellence in the realm of Emperor Franz Josef at the turn of the twentieth century. He became a radical thinker, a member and the first leader of the famous Galilei Circle.⁷ He soon became skeptical about liberalism but was looking at radical socialism also with suspicion. Nevertheless, he remained an anti-capitalist through and through during his long, fruitful life. He died at the age of 78 in 1964.⁸

Friedrich A. Hayek was born in Vienna in 1899 in a family of leading scholars. He was a German Austrian without doubt and considered himself as such.⁹ He

⁴The Austro-Hungarian Monarchy had eleven official languages: German, Czech, Slovene, Italian, Polish and Ukrainian in the Austrian part (Cisleithania) and Hungarian, Croatian, Romanian, Serbian and Slovakian in the Hungarian one. While national grievances were multiple, the Monarchy was a proudly multiethnic, multinational, multi-religious entity. Could it be considered as a failed antecedent of the European Union? We will never know ...

⁵Although both his grandmothers were ethnically Czech, Schumpeter never learned that language and never regarded himself other than German Austrian. Assimilation of educated people who had been born into a rural or small town family of different ethnic origin into German culture when they became intellectuals was frequent. The Austro-Hungarian Monarchy was truly a multilingual melting pot for its more than half century of existence.

⁶His name has to be written in Hungarian as Károly Polányi but, since he himself used mostly its Americanized form, I follow that usage throughout this book.

⁷The Galilei Circle (Galilei Kör in Hungarian) was an association of free-thinking students from 1908 to 1919. Its aim was to promote unimpeded research in social sciences and the protection of the freedom of thought at universities, the financial and social support of poor students. By 1910, it was the most attended youth association which played a significant role in propagating radical, anti-feudal and civic ideas. During WWI, it became a pacifist outfit. In 1918, it was banned by the authorities and some of its leaders went to jail, including Ilona Duczynska, future wife of Karl Polanyi.

⁸It is difficult to determine what exactly Karl Polanyi was by profession. Many streams of social sciences which today constitute separate disciplines were at that time still amalgamated in an organic stew. It is remarkable that Wikipedia has a hard time to pin down Polanyi; he is labeled by the website invariably as an economic historian, economic anthropologist, economic sociologist, political economist, historical sociologist and social philosopher. He was probably all in one.

⁹While curious about his origin, whether he had Jewish ancestors or not, he explored the family tree and realized that his name is originally Czech (Hájek in Czech spelling), something which was

served briefly in WWI and attended Vienna University thereafter. He was reading philosophy, psychology and political science and became highly impressed by the renowned scholars of the then famous *Austrian school of economists*, like Eugen Böhm von Bawerk, Carl Menger, Friedrich von Wieser and Ludwig von Mises. While having some socialist inclinations at the beginning, he became a staunch defender of liberalism and the market economy. He was awarded with the Nobel Prize in economics in 1974. He lived until 1992, long enough to be a witness of the fall of Soviet communism.

Karl Popper was born in 1902, also in Vienna, three years after Hayek. After an equally fruitful and long life, he died in 1994, just two years later than Hayek. They can be considered *almost perfect contemporaries*. They knew each other and followed their intellectual career paths mutually and with great interest. Hayek helped Popper secure a job at the London School of Economics. Popper also attended the famous University of Vienna, but he was studying psychology and soon became more interested in philosophy (later he had no choice but immerse himself in economics, too). He was Jewish and German Austrian, quite typical among intellectuals at that time.¹⁰

Hannah Arendt is an outlier if we consider, not completely unreasonably, the previous four as a relatively tight-knit group. She is the only woman among these world renown scholars and the youngest one, having been born only in 1906. She is also exceptional because she was a German, having arrived to the world in a small community called Linden, now part of the city of Hanover. Like Popper, she was Jewish and a philosopher. She attended Marburg University during the brief period of the Weimar Republic and was a loyal disciple of Martin Heidegger.¹¹ She died at

nothing rare at that time in the leading metropolis of the Habsburg empire. Despite “accusations” from some intellectual colleagues, Jewish ancestry was not detected.

¹⁰The increase of the proportion of Jews in so-called free professions, e.g., law, medicine, engineering, academia, and the arts, was significant throughout the existence of the Austro-Hungarian Monarchy as a consequence of almost unimpeded immigration, largely liberal politics, state and more or less uninterrupted, sometimes spectacular, economic growth. Jobs, especially brain-intensive ones, were created by the tens of thousands which made it possible for diligent elements of ethnically, linguistically and religiously diverse groups of people to take advantage of the unprecedented broadening of life opportunities. Although the emergence of an intellectual class of Jewish origin gave rise to strong anti-semitic movements and ideologies, the half century of the Monarchy was later almost always remembered as happy peacetime later referred to as the “Belle Époque” (Die glückliche Friedenszeiten) even in German publications. On the basis of these exceptionally favorable conditions, everything pointed to a development which elevated Austrian achievements to the first row of global science. When it comes to intellectual excellence, Austria-Hungary was clearly punching well above its weight for a brief period of time (1867–1914).

¹¹ Actually, she was much more than an enthusiastic student. She had a romantic relationship with the already famous professor as we know it today from two books written by Elisabeth Young-Bruehl (Hannah Arendt: For Love of the World. Yale University Press, 1982) and Elzbieta Ettinger (Hannah Arendt/Martin Heidegger. Yale University Press, 1995). While the first account was revealing and universally accepted, the second one has been received with remarkable hostility and has remained controversial ever since because it is alleged to have accused Hannah Arendt with lack of personal integrity given the fact that Martin Heidegger became a supporter of the NSDAP in Germany after 1933 even though he is considered a “Nazi-lite.” See Kolnai (1938), p. 207.

the age of 69 in 1975, relatively young, before Hayek and Popper. She was a truly tragic figure, by far the most tragic out of the five.

What are the most important common characteristics of the historical environment of these five distinguished scholars? For one thing, they started their careers in *Mitteleuropa*,¹² a peculiar, but soon withering world strongly impregnated with the expanding and enriching *German-language haute culture*, something which had achieved the highest standards worldwide at that time, around the turn of the nineteenth and twentieth centuries. In their youth, they were thriving in and visibly enjoying an exceptionally favorable socio-political, scientific-cultural and literary-artistic environment,¹³ which, although not without its tensions and contradictions, made possible their progressing towards global renown and excellence. When these five were young, this Germanophile world looked like it was going to last in eternity.¹⁴

Then the world as they knew it suddenly collapsed and disappeared forever.¹⁵ They all tried to start a new life in a much more limited and restricted existence, but history decided otherwise. With the ascendancy of Nazism, first in Germany, later in Austria, too, they decided or were compelled to leave their homeland for the Anglo-Saxon world. All of them found a home either in England or in the USA. They gained world fame in the *emerging Anglo-Saxon academic environment*.¹⁶ As a consequence, now

¹²Mitteleuropa is not just a geographic term in the German language but an economic and social space strongly conditioned with a special common culture. In addition, it is a well-known concept coined by Friedrich Neumann in 1915 during WWI. See Neumann (1915). As I described it in my previous book, “this concept reflects a rather unique culture and civilization that had existed for almost a millenium before 1900, has survived in various forms ever since, and with remarkable modifications, continues to exist even today. While Central Europe is a mere geographic expression, Mitteleuropa constitutes a unique culture with very special life feelings (*Lebensgefühl*). It is a rather pessimistic and introvert culture reflecting several centuries of the peoples of the region in attaining *state and status*, i.e. *political and economic development and emancipation despite having had a rather glorious past in the first five hundred years of their stately existence*.” Bokros (2013), pp. 2–3.

¹³One of the best summary of this flowering but at the same time visibly declining (decadent) cultural world is brought back to life by the young German historian of culture, Florian Illies in his best-selling book, entitled “1913”. Another hugely important reflection on this epoch is in Sándor Márai: *The Withering World* (2013).

¹⁴And it was not only the permanence of a miraculous world, but also the brilliance of a culture and life feeling, taste of life (*Lebensgefühl*). The best description of it can be found in the autobiographic account of the Austrian writer Stefan Zweig: *The World of Yesterday (Die Welt von Gestern)*. It is remarkable that Stefan Zweig wrote this famous book much later and in exile in Brazil, when and where the world of his youth was appearing only as a mirage. Tragically, he and his wife both committed suicide in Petrópolis, Brasil, in early 1942 at the height of Nazi power and world domination.

¹⁵There has been a tremendous outpouring of new books on the basis of new and seemingly more impartial research about the causes and the origin of WWI at the first centenary of the cataclysmic tragedy. This book does not wish to repeat any of the findings, least take sides when it comes to the distribution of responsibility. All what is important here is that a fundamentally liberal and Europe-centered world and culture suddenly collapsed never to be reconstructed or resuscitated again. WWI proved clearly that “development,” whatever we mean by that, is never unilineal and far from deterministic. That will be an important conclusion when discussing socialism.

¹⁶Social science got increasingly Americanized from the very beginning of the twentieth century. See Manicas (1987).

all of them are regarded as British, American or Canadian scholars—in addition to being Austrian, Hungarian, German. How nice, how sad!

This transformation—we can call it metamorphosis—is no coincidence.¹⁷ Thousands of people left the darkening German realm and not only intellectuals. Their natural escape route was via France and Great Britain, toward the USA, Canada, Australia or New Zealand.¹⁸ They contributed immensely to the intellectual and scientific development of their new homelands. Many scholars of German, Austrian or Hungarian and Czech origin made world-class science in the Anglo-Saxon cultural sphere.¹⁹

How and when these distinguished scholars left their original homelands?

Schumpeter was relatively lucky. He was the oldest of the pack and had already established his career in the Habsburg era. It is also important that he was catholic; hence, much less disadvantaged than Jews after the collapse of the Monarchy. Moreover, he had already established close ties to England when he spent one year at the London School of Economics and visited Oxford and Cambridge universities. Last but not least, he imported a wife from the foggy island in 1907 who was daughter of a high level official of the Anglican church.

As an already well-known, distinguished economist, he was invited to Berlin by Karl Kautsky to be a member of the Socialization Commission which was to prepare for the nationalization of several large enterprises in the newly born German republic. No longer a socialist himself, he felt he could exert a restraining influence on the first post bellum government of the new German republic, which was dominated by social democrats. But his stay in Berlin was very brief. In March, 1919, he accepted the invitation of Otto Bauer, his former fellow student, now minister of external affairs

¹⁷Several factors contributed to their decision to emigrate from their vastly contracted countries and much shrunken intellectual environment. Losing WWI by Germany and Austria-Hungary and the disintegration of the latter is perhaps the original sin. The peace treaties of Versailles, Saint Germain and Trianon have significantly contributed to the feeling of catastrophe both at the intellectual and everyday level. Third, economic hardships were many and fast multiplying, making their negative impact immediately felt at academic and university circles. Fourth, the rise of national socialism first in Germany, then in Austria (after all, Hitler was born in Austria and he gained many followers there) put free thinking and academic liberty in jeopardy. Fifth, the unimpeded rise of anti-semitism and its becoming official government policy chilled the air and extinguished intellectual vibrancy, especially for scholars of Jewish origin.

¹⁸It is no coincidence that all of them are either former British colonies or so-called white condominiums, fully impregnated with the best traditions of British liberal academic culture. Most old-fashioned classical liberals felt strongly attracted by this exceptional favorable environment when they realized that their German-language realm was to be extinguished. It was true not only for representatives of the social sciences and the humanities but equally important in case of natural scientists, engineers and technologists.

¹⁹Countless German and Austrian Jews emigrated to the Anglo-Saxon world after Hitler came to power. Less well known is that the exodus of Hungarian scholars of Jewish origin started much earlier, right after WWI. Hungary became infamous by the introduction of its first anti-Jewish legislation in 1920. The law, popularly known as “*numerus clausus*,” restricted the number of students of Jewish origin to be admitted to faculties of natural sciences, economics, law, etc. This was the first step in the wholesale reversal of civic equality which led to four more and increasingly restrictive legislation against the Jews in Hungary in 1938, 1939, 1941, 1942.

in the first government of Karl Renner, the Austrian Social democrat, to become *minister of finance* of the new Austrian republic. Although his tenure in government did not last long in Vienna either, he made an impact on policy by opposing inflation and supporting a capital levy as the main source of amortizing war debt.

After a short and unsuccessful career in banking, he returned to academia. He held a chair at the Bonn University between 1925 and 1932 while at the same time lecturing at Harvard University in 1927–28 and 1930. As a consequence, he was already a well-known figure in the USA when he decided to emigrate in 1932. He was almost 50 years old by then. Timing could not have been better or more auspicious. For the next twelve years, i.e., during the whole period of Hitler's rule in Germany and fascism dominating Central and Eastern Europe, Schumpeter dedicated a tremendous amount of personal effort to assisting fellow economist colleagues displaced by Nazism.

Schumpeter wrote and published a lot of articles and books originally in German, probably much more than in English in the last eighteen years of his life. Since he spent more time in Austrian-German banking, finance, government and science environment before finally settling down in American academia, it is not a surprise. But the point is that world fame arrived to him only in America, by the publication of his best known work: *Capitalism, Socialism and Democracy*. As already an American citizen these days, he could legitimately be regarded—and he also regarded himself—as an American scholar.²⁰

Karl Polanyi was much less lucky with fate. As a progressive radical thinker, who supported the first republican government of Mihály Károlyi in the autumn of 1918, he decided to leave his homeland, Hungary, as early as in March, 1919, when the four-month-old Hungarian Communist party acquired power in the newly independent country and started a brutal Bolshevik-style dictatorship.²¹ Although the so-called Soviet Republic of Hungary (Magyar Tanácsköztársaság) proved to be very short-lived (it lasted only 133 days), the *red terror* practiced by it was immediately followed by an equally ferocious *white terror* unleashed by free officers' corps, supported by Miklós Horthy, the former admiral of the Austro-Hungarian navy, the future regent of the soon reconstituted Kingdom of Hungary. The Horthy-regime, which lasted exactly for a quarter of a century, was fundamentally anti-semitic from its inception. Therefore, it was clear that there was no place for a prominent leftist Jewish intellectual in the small country sliding quickly into extreme right radical ethno-nationalism.

²⁰Gaining his citizenship of the USA was much facilitated by the fact that his second wife was American and he was already a distinguished member of the American Academy of Science.

²¹The brand new Communist Party of Hungary was officially amalgamated with the much older Social Democratic Party of Hungary when Mihály Károlyi asked the latter to form a new and purely socialist government after the victorious Entente Cordiale powers handed over a new, for Hungary very disadvantageous demand for armistice demarcation lines. With this infamous Vix-note or memorandum the Western powers actually triggered, in fact, the bolshevik takeover in Hungary. It is also important to note that Lenin opposed the unification of the newly established Communist Party with the Social Democrats but Béla Kun decided to ignore his advice.

Polanyi had spent his time in exile first in Vienna as a freelance journalist. Then, between 1924 and 1933, he was a senior editor of the liberal magazine, “The Austrian Economist” (*Der Österreichische Volkswirt*) which had been established in 1908. But after almost a decade of distinguished service as a prestigious journalist, he was asked to resign from his position when Hitler came to power. Even a liberal paper could not maintain a left-leaning editor at the time when clerical fascism was on quick rise in the small and weak republic of Austria.

Polanyi went to London in 1933, together with so many of his contemporaries of Jewish origin. Their exodus can be regarded as the first, still mostly voluntary, wave of emigration from the former truly brilliant *Kulturgebiet of Mitteleuropa*. Their integration of British society was mostly successful although many of them ended up sooner rather than later in the USA or Canada.

Polanyi moved to Vermont, USA, in 1940, when WWII was already under way. He accepted a lecturership at Bennington College where he taught a wide variety of subjects which later formed part of his most famous book, *The Great Transformation*. After the war, he received a teaching position at Columbia University in New York. Unfortunately, he could not settle in the city because his wife, a former communist, could not get an entry visa to the USA. Therefore, the family moved to Canada. Polanyi spent the rest of his life there while commuting to New York City. He died in Pickering, Canada, in 1964. His wife, the communist revolutionary, Iona Duczynska, outlived him by 14 years.²²

Friedrich August von Hayek was also born in Vienna just before the turn of the century, in 1899. As it was already noted, he was a German Austrian with no Jewish ancestry. He attended Vienna University and—like Schumpeter—was flirting first with socialist ideas, which were quite fashionable among young people, especially among university students at that time. But that was a very short and quickly abandoned detour for Hayek. He attended the university right after the war.²³ He received

²²It is both important and interesting that Karl Polanyi had an equally talented and famous younger brother, Michael (Mihály) Polanyi, who was born in 1891, in Budapest, Hungary. Michael was truly a polymath, who made significant contributions not only to physical chemistry, but to economics and philosophy as well. After WWI and the subsequent revolutions he emigrated to Germany where he was appointed chemistry professor at the Kaiser Wilhelm Institute in Berlin. Obviously, he had to leave Germany in 1933. He went to England and received a professorship first in chemistry and later in social sciences. He was elected to the Royal Society in 1944.

²³Analyzing and comparing the lives of Schumpeter and Hayek, few people noticed the huge significance of timing. As it was mentioned already, Schumpeter attended Vienna University but well before WWI. He earned his Ph.D. in 1906, while learning from Carl Menger, Friedrich von Wieser and also from the world famous Eugen Böhm von Bawerk at the time of unbounded optimism. He was a star pupil and was appointed university professor and chair in Czernowitz, the capital of the then Austrian province of Bucovina in 1909. By the start of WWI in 1914, he was already a professor of political economy in Karl-Franzen University in Graz. He did not serve in the Great War.

The contrast with Hayek’s career could not have been greater. Hayek was too young to attend university before WWI. He did serve in WWI for a full year and got injured in the Italian front. He also contracted the Spanish influenza epidemic but—fortunately—survived. He started his university studies right after the war, when the Austrian-Hungarian Monarchy disintegrated and then collapsed and disappeared altogether. The tragedy was hugely personal and social at the same time. Although