

Kazimierz Łaski, 15 December 1921 to 20 October 2015

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Kazimierz Łaski, one of the most distinguished members of Michał Kalecki's circle in the 1950s and 1960s, died in Vienna on 20 October 2015. A man of rare modesty in a profession given to rare conceits, he divided his career, as later recalled by his friend Jerzy Osiatyński, into three periods: before Kalecki, his collaboration with Kalecki and his work after Kalecki (Osiatyński, 2016). However, his scholarly and personal achievements indicate a personality that may have been influenced by Kalecki, but was by no means in his shadow. His early doctoral studies, on the relationship of investment to consumption in a socialist economy, were at the Polish communist party's School of the Social Sciences (*Instytut Nauk Społecznych przy KC PZPR*, the Institute of Social Studies at the Central Committee of the Polish United Workers' Party).¹ But from 1949, he worked as an assistant to Włodzimierz Brus at the Main School of Planning and Statistics (*Szkoła Główna Planowania i Statystyki – SGPiS*). After obtaining his doctorate in 1954, Łaski was appointed to a lectureship at SGPiS.

Shortly after he took up his appointment, a discussion on economic reform in socialism was started that has echoes today, even if it now appears that that discussion was buried in the ruins of Communism at the end of the 1980s. The death of Stalin, the execution of his security chief Lavrentiy Beria and the inauguration of a 'collective leadership' in the Soviet Union, from which Nikita Khrushchev emerged to denounce Stalin's crimes at the Twentieth Congress of the Communist Party of the Soviet Union in February 1956, all exposed the weak legitimacy of the little Stalins who ruled the other countries in the Soviet bloc. The Polish leader Bolesław Bierut conveniently died shortly after Khrushchev's speech. In Poland and elsewhere in Eastern Europe, where promises of socialist prosperity had failed amid shortages of basic necessities, Cold War paranoia and purges, questions started being asked about the political system and its management of the economy.

Some discussion on the 'correct' system of managing the economy had been ongoing since the publication of Joseph Stalin's *Economic Problems of Socialism in the USSR* in 1952; this gathered pace in the wake of the dictator's death in that year. To capitalise on this, Oskar Lange initiated a series of lectures on the political economy of socialism for party activists at the Institute of Social Studies at the Central Committee in November 1956. The lecturers were encouraged to write up their analyses in a more academic format, and these were presented to a conference of university teachers who taught political economy of socialism (a compulsory subject for students of economics at that time) (Lange, 1957). Other contributors were brought in from abroad, including Peter Wiles from Oxford who baffled his audience by explaining that worker self-management was

like an Oxford college run by its Fellows. Within that discussion can be seen the key ideas that were to inform the discussion of market socialism in Poland and elsewhere for the remainder of the century. The contributions of Kalecki and Brus, in particular, were to be developed in the work of Łaski. Kalecki's was the dominant influence. Łaski's subsequent work showed him working with Brus, at times taking on the latter's somewhat different approach to the political economy of socialism and its implications for the political economy of capitalism.

The contrast with Brus is apparent in their respective contributions to Lange's discussion. Łaski's essay, drawing on his doctoral thesis, is on the conditions for equilibrium between production and consumption in a socialist economy. His two-sector model is based on Marxian schemes of reproduction, in which the sector producing consumption goods has to satisfy not only demand from workers in that sector but also demand from those employed in the investment goods sector. It clearly points to the stresses in consumption goods markets that may be caused by excessive investment, a common problem in Poland at the height of Stalinist industrial hubris and in the 1960s and 1970s (Łaski, 1958). Brus' essay, by contrast, is concerned with the theory of prices under socialism, in particular the conditions for rational economic decision-making in enterprises that, in Brus' (1958) view, required enterprise autonomy which central planners could 'guide' by price-setting. This was the foundation for the theory of market socialism that came to be associated with Brus' (1972) name.

In addition to Brus' market socialism arguments, which had a certain resonance with the theories of Oskar Lange, there were essentially two other 'positions' in the economic reform discussion. The first of these was the 'Stalinist' position that prioritised investment as 'socialist construction', in which any sacrifices of current living standards were justified by the prospect of even greater productive capacity and living standards in the future. This position had been hopelessly compromised in the early 1950s by widespread shortages of consumer goods and raw materials, attendant on not only the investment effort but also the claims of the military establishment upon resources. The desperate search for unused economic 'reserves' fed irrational centralisation of decision-making and paranoia about the activities of alleged economic 'saboteurs'. This position was therefore the one that all economic reformers addressed and condemned.

The other position was the one taken by Kalecki and Łaski. It argued that the shortages that characterised the push for industrialisation were due to excessive investment. In effect, the real wage rate is a constraint on economic growth so that investment can only expand at the rate of growth of productivity in the consumption goods sector or the export sector. Kalecki openly expressed scepticism about the possibility of using price mechanisms to bring the economy into equilibrium. But Łaski, who had been Brus' teaching and research assistant since 1949, was more ambiguous. This ambiguity was reflected in papers and publications that Łaski co-authored with Brus until the latter's death in 2007.

The respective positions of Brus and Kalecki were less compatible than was thought at the time. For Brus, prices may or may not reflect the values of labour inputs into produced commodities, what he called the 'law of value'. But prices in his view could be used by economic planners to guide the allocation of scarce resources to particular outputs without those planners having to set quantitative targets. All that was necessary was

that enterprise managers should maximise the surplus that their respective enterprises generated. At first glance, Kalecki's position was not dissimilar: prices, in Kalecki's theory, determine the distribution of surplus. However, that surplus was not just the result of 'economising' by enterprises, buying resources cheaply and selling the output produced by them at higher than cost. In a socialist economy, the aggregate social surplus over (labour) costs amounts to the total investment in the economy, plus the net foreign trade surplus. The price system determines the distribution of that surplus among enterprises and the state sector. To secure domestic balance, the level of investment minus the trade surplus must be equal to the surplus generated in the consumption goods sector. This is the foundation of Łaski's analysis. However, Kalecki's view was that there is nothing in the market process to ensure that domestic balance is obtained. Or, if prices are to guide production, then changes in the level of investment require corresponding changes in the vector of the prices set by planners to guide enterprise output: prices would have to change every time the level of investment increased or decreased. Kalecki considered it much more effective to hold key prices stable and regulate the economy by varying the level of investment. Łaski, who remained personally close to Brus, saw no incompatibility between the Kalecki and Brus positions.

Łaski's (1964 [1960]) paper, 'The factors of growth of national income in a socialist economy', extended Kalecki's theory of growth in a socialist economy. This paper, with minor changes added by Brus, formed their joint contribution to the *Festschrift* for Kalecki that came out in 1964 (Brus and Łaski, 1964b). In that same year, the two authors contributed a joint paper to the other major *Festschrift* published that year, for Oskar Lange. Brus seems to have been the main author of this latter paper. It contains a suggestion that prices should be used to guide a small share of investment, as well as current levels of output (Brus and Łaski, 1964a).

In the following year, 1965, Łaski's first book, *Zarys Teorii Reprodukcyj Socjalistycznej* (An outline of the theory of socialist reproduction), came out. The book formalised and extended Kalecki's theory of growth in a socialist economy, on the basis of the two-sector model of the socialist economy derived from Marx's schemes of capitalist reproduction (Łaski, 1965; see also Łaski, 1964). The relationship between current investment and consumption formed the basis of Kalecki and Łaski's criticism of imbalanced production in Poland in the 1960s that led to shortages of consumer goods. Those shortages led to the eventual downfall, in 1970, of the Communist leadership of Władysław Gomułka. But by then, Łaski, Brus and Kalecki were in professional disgrace.

After Gomułka, Communist Poland succumbed to investment boom and debt crisis. Kalecki died in 1970. Łaski, by then in exile in Austria and close to Josef Steindl, who had worked with Kalecki in Oxford in the early 1940s, continued to argue for an alternative policy framework in the socialist economies. The result of this stage of his work shows Łaski at his closest to Włodzimierz Brus. *From Marx to the Market* may be regarded as a natural extension of its authors' 1964 paper in the Lange *Festschrift*. Brus had recently visited China, along with Ota Šik and János Kornai, to promote market liberalisation. The scope of market socialism was now extended to take in investment which, according to its authors, should now be regulated by the cost of finance (the rate of interest), rather than through a politicised system of state planning (Brus and Łaski, 1991).

The book's publication coincided with the fall of communism in Poland and a transition to free market capitalism. Łaski was bitterly critical of the liberalisation shock delivered to Poland by its Finance Minister Leszek Balcerowicz, on the advice of Jeffrey Sachs, that plunged the country into mass unemployment and hyperinflation. An alternative, more gradual, strategy of liberalisation submitted by Łaski to the then Minister of Planning, Jerzy Osiatyński, was circulated but was officially ignored. As Director of the Vienna Institute for International Economic Studies from 1991 to 1996, Łaski was condemned to observe the economic decline in his home country and its neighbours. Recovery only came in the new century with entry into the European Union and fiscal support from Brussels. His Vienna studies were largely empirical, using a Keynesian framework to record the dramatic fluctuations in aggregate demand that, with the fall of communism, now determined economic activity. He was particularly critical of the capital account liberalisation that, in his view, played a part in destabilising the small and medium-sized economies of Central and Eastern Europe (Łaski, 2002).

In his final years, Łaski continued to write and discuss virtually up to the summer of 2015 when he went into hospital with lung cancer. His central preoccupation in those most recent years was the waste of unemployment and the need for aggregate demand management using more active fiscal policies. This was the policy conclusion of the paper he co-authored with Leon Podkaminer for the belated *Festschrift* for Tadeusz Kowalik, who was perhaps Łaski's closest professional associate in his final years (Łaski and Podkaminer, 2013). Łaski was naturally very taken with recent developments in post-Keynesian economics since it was this discussion that brought him continuously back to his chief mentor and inspiration. Łaski contributed a critical paper to the Kalecki centenary conference in Warsaw in 1999 with a title 'Three ways to ... high unemployment' that echoed sardonically Kalecki's paper of 55 years earlier ('Three ways to full employment'). Łaski's paper blamed unemployment in Germany at that time on monetary tightness, low wages and trade surplus (Łaski, 2004). A later paper with Herbert Walther, who had been his first assistant in Linz, extended Kalecki's macroeconomic theory of profits (Łaski and Walther, 2015). Łaski spent the final weeks of his life completing the revision of a set of lectures in macroeconomics that provides an unusually systematic approach to a subject whose textbooks tend to provide theories for topics, rather than incorporate topics into any consistent approach to macroeconomics. The framework for his exposition was the two-sector model in those schemes of reproduction that had been the foundation of Łaski's (2015) first economic studies and that showed his roots in Kalecki's analysis. Łaski's last professional appearance was in June 2015, at the age of 93 in Buenos Aires, at the Money and Banking Conference commemorating the 80th Anniversary of the Central Bank of Argentina, where he argued the case for returning fiscal policy to the role of regulating the business cycle.

Kazimierz Łaski's scholarship gives little hint of the dramatic crises that he survived; that gave him an unusual humanity and compassion. He came into the world as Hendel Cygler, to Szmul Cygler and Sura Rywa Cygler in the southern Polish city of Częstochowa. Szmul was a shopkeeper and prosperous enough to have a Catholic maid and to send his sons to the local *liceum* school where, as he later recalled, he acquired literary Polish with no trace of a Jewish accent. That fluency, together with his blue eyes, was to save

That fluency, together with his blue eyes, was to save his life. When the Germany army arrived in 1939, he fled to Żelechów in what is now Eastern Poland to be with his girlfriend Irena Wolfowicz. Along with her parents, he was incarcerated in the Żelechów ghetto until it was liquidated in September 1942. He managed to escape from the slave labour camp to which he was sent, in Wilga, and returned to Częstochowa to try to find his parents in the small ghetto that had been established there. He was too late. They had already been deported and gassed in Treblinka. Kazimierz Łaski's older brother, Major Godel Cygler, who had fled east to the Soviet zone of occupied Poland, was killed in Krzemieniec by the Germans when they invaded the Soviet Union. Irena, who had found refuge in Warsaw, found him in Częstochowa and got false papers for him. Hendel Cygler became Kazimierz Łaski. They moved together to Warsaw, where he joined the underground *Armia Ludowa* (People's Army). Łaski took part in the Warsaw Uprising and was wounded in the final days of the fighting at the start of October 1944.

At the end of the War, Kazimierz Łaski married Irena Wolfowicz and started studying economics. He joined the ruling Communist party, the Polish United Workers' Party. From 1949, he taught at the Main School of Planning and Statistics, by then the elite economics university in Poland. At one point, he was even responsible for allocating teaching to Michał Kalecki, a task that was not made easy by Kalecki's notoriously diffident lecturing. With Kalecki he presided over lively research and policy seminars. But their criticism of economic policy brought retribution in 1968 when a politically weakened Gomułka unleashed an anti-semitic purge. Łaski was expelled from the Party and forced to leave the country. He stopped in Vienna on his way to Canada, only to find that the Canadian government deemed him to be a danger to Canadian security. With assistance from Kalecki, he obtained a position at the University of Linz and was soon working with the Vienna Institute for Comparative Economic Studies.

Exile in Austria was made more congenial after Kalecki's death in 1970 by the friendship of Kurt Rothschild and Josef Steindl, both of whom had worked with Kalecki in Oxford during the Second World War. The death of Irena in 2005 and a stroke that deprived his son of consciousness but not life were the final sorrows that lay behind Łaski's serene composure and witty charm.

On his last visit to London in 2013, he asked me to accompany him to Oxford to place a stone on the grave of his friend Włodzimierz Brus. The grave commemorates not only Brus and his wife but also their family that perished in Treblinka.

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Note

1. Polish universities had been decimated during the Second World War by the Nazi efforts to suppress Polish intellectual and cultural life, and many of those academics who survived later emigrated rather than live under the new post-war order. By the early 1950s, Poland had only two economists who ranked with the best in the world: Oskar Lange and Michał Kalecki. Both were regarded with suspicion by the Stalinist leadership after 1948, but Lange was allowed to teach at the Communist Party School, and Kalecki worked in New York for the United Nations, before returning to join Lange in Poland in 1955.

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