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ABRAM BERGSON: A TRIBUTE

by

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When I joined the Russian Research Center at Harvard University in 1968, I became part of an elite corps of Soviet-era experts led by Abram Bergson. Soon enough, I began to feel that, as a group, we were on top of the world. Not only was Abe's reputation as a theorist and an empiricist colossal; it was also matched by his quiet energy and persistent commitment that kept us active and engaged. The Wednesday lunch seminars attracted speakers from near and far, and prompted vigorous exchange of ideas under Abe's meticulous and demanding navigation. Casual bantering or sloppy arguments or careless invention of facts were absent. Scholarship flourished in abundance. Lenny Kirsh worked on Soviet wages. Leon Smolinski brought out in the open the ideas of Nobel laureate Leonid Kantorovich and the mysteries Soviet planning. Joe Berliner unraveled the labyrinthine details of Soviet factories and the innovation decision making of their managers. Frank Holzman illuminated the complexities of Soviet taxation and foreign trade arrangements, and battled the Central Intelligence Agency about its Soviet defense estimates. Barney Schwalberg kept tab of the academic debates with incisive comments and extensive references. Marshall Goldman wrote so much on so many themes I stopped counting. We were truly the best and the brightest in the field. Those were the glory days. As time passed, the group became smaller as we lost Lenny, Leon, Frank, Joe and finally Abe. But my memories of those days are warm and fresh as I continue with my professional activities in a different place.

Years later I discovered the progression of events that contributed to Abe's becoming a "comparativist" as he described himself in his memoirs. He could have studied physics at the suggestion of his elder brother Gustav, but turned instead to economics when he became a graduate student at Harvard in 1933 at the age of 19. The prospects of an economist landing a job were uncertain as the Great Depression unfolded. But Abe stuck to his decision. Already a brilliant theorist with an original, oft-cited paper on the social welfare function to his credit, he was soon to embark on the empirical analysis of the Soviet system, beginning with an investigation of the massive data on Soviet wage differentials. In the process, he ended up by founding the field of comparative economic systems and gave it a touch of class through a superb combination of analytical depth and empirical rigor. The British, they say, forged an empire in a fit of absent mindedness. Abe established a whole new field of inquiry and analysis through a series of "fortuitous" circumstances.

As a graduate student in the economics department at Harvard, Abe was fascinated by the momentous theoretical debates that raged during the inter-war years on the economic merits of socialist economies. And yet scholarly research on the subject

was missing. In his view, Marx's claim on the presumed superiority of socialism went unchallenged, leaving several questions unanswered. How efficient were socialism's working arrangements in comparison with those in market economies? What methods might be employed for addressing this issue? Can one actually derive measures indicating the differences in the economic performance of the two systems? Might one conclude that the Marxist faith in the economic potency of socialism was misplaced? At the outset, how might one define socialism and efficiency?

Definitions were crucial to Abe for the task at hand. They had to be precise because the project was scientific. They had to be relevant because the inquiry had social implications. They also had to be amenable to quantitative estimation because Abe, perhaps unintentionally, wanted to challenge Marx, the prophet himself, by painstakingly deriving numbers that combined rigorous analytical tools and the best available evidence.

In the first step, Abe defined Soviet socialism as a system in which means of production were publicly owned, and production activity was coordinated via bureaucratic decisions rather than via market signals. The "system's directors" organized the Soviet command economy from top to bottom. Superior agencies in the administrative hierarchy coordinated the activities of production enterprises by employing extra-market devices such as physical targets and quotas. Innumerable decrees and orders were issued specifying these norms and fulfillment criteria by managers. Their implementation was monitored by vigilant party apparatchiki in the production units.

Needless to say, the socialist world was authoritarian, manifesting its worst features under Stalin. What then about its political merit? Abe recalls having wrestled with this issue in his memoirs. The familiar institutions of a liberal democracy including due process of law, civil liberties, and removal of officials via elections were missing. Therefore, politics could be exacting in its efficiency losses in authoritarian socialist systems. Of course, accommodative political pressures imposed such losses in market economies also, but bureaucratic distortions and political concessions could be vastly more prevalent and damaging under socialism. Abe conceded that socialism hardly scored on its political merit. Indeed, like Hayek, he believed that "inclusive" public ownership and democratic practices were inherently incompatible. Ultimately, he eschewed the notion of democratic socialism, and chose to illuminate socialist record in the context of its authoritarian reality.

But the problem of the political demerits of socialism were to revisit Abe in the context of his attempts at defining economic efficiency. The conventional neoclassical norms define economic efficiency in terms of the degree of exploitation of available opportunities for satisfying consumer wants. They assume that consumers' sovereignty prevails which in turn ensures maximum efficiency in the famous Pareto optimum. But then socialist planners had political aims that dominated their preferences. The planners might want guns whereas the public might desire butter. Stalin's planners opted in favor of heavy industry whereas the people, given their choice, might have desired bread and shoes there and then. The conflict posed a serious problem for Abe in defining efficiency. Political norms, left to define efficient resource allocation, would make any allocation scheme efficient depending on the political objective. Indeed, politics would cease to be a source of inefficiency. The whole project of measuring comparative efficiency would become "footless" and fruitless. Besides, Abe was wedded to the principle of consumers' sovereignty, howsoever maligned. A way had to be found out of the dilemma.

Consumers' preferences provided the yardstick for measuring efficiency. But planners' preferences would serve the purpose as well if they were assumed to be "isomorphic" with those of consumers. Thus, Abe opted for a solution that was imperfect but workable.

The next step consisted in devising analytical tools for comparing socialist and market-economy efficiencies. It should come as no surprise to his contemporaries and followers that Abe chose to go beyond mere description. Some of us who struggled our way through Abe's formidable and voluminous work, as I have, experienced in full measure the impact of its theoretical rigor. He had little patience with anecdotes or stray evidence. He believed that one must first define a problem analytically and then look for the necessary evidence to derive one's conclusions. He recalls in his memoirs having written to Sidney Webb if such an approach for analyzing the Soviet socialist system made sense, to which Web had responded negatively. But Abe remained his own scholar. Use of appropriate theory in empirical work was his hallmark and his contribution.

He however valued, respected, and drew upon the relatively informal work of other scholars specifically mentioning the insightful contributions of Joseph Berliner, David Granick, Gregory Grossman and Alec Nove. Formally unstructured studies, in his view, served as the foundation of analytical inquiry by providing important clues and building blocks. At the same time, while he recognized the importance of techniques, he was not enamored of econometric modeling. He was impatient with analysis that ignored the massive problems of data in socialist economies. The caveat was important for him. He regarded the employment of Soviet official statistics without meticulous scrutiny a "treacherous procedure." In any case, the econometric inquiries concerning Soviet production activity, which Marty Weitzman initiated and to which I contributed, did not seem to converge to a clear consensus on either the general form of the production function or its parameters. In Abe's assessment, they alerted us to alternative ways of characterizing and explaining the functioning and evolution of the Soviet economy.

While the comparative efficiency of socialist planning, that was central to the great theoretical debates on the economic merit of the system, became the focus Abe's empirical research, he faced numerous difficulties along the way.

A major bottleneck arose from the nonavailability and "disinformation" of Soviet data. The available data from official sources were discredited among Soviet as well as Western scholars. The carefully documented Western measures of Soviet real national output compiled by Rush Greenslade too had their limitations.

Then again, the Soviet economy experienced violent structural changes during the pre-World War II peacetime interval that commenced with the initiation of the First Five-Year Plan in 1928. These shifts had incredibly complex implications for statistical measures of economic performance during the period. Prices were unsettled. Industry and sector outputs were volatile. Should the performance of the economy be measured in prices of the initial year 1928 or the final prewar year 1937? The choice of the valuation year influenced the performance. Abe frontally attacked this familiar index number problem by painstakingly creating national income estimates for the Soviet economy in 1928 and 1937, in the process providing the necessary benchmark measures.

Another analytical problem arose from the fact that Soviet prices were administered, and violated the market-based, supply-demand price norms of neoclassical theory. He invented the second-best concept of Adjusted Factor Cost that aroused significant controversies.

With these caveats and adjustments in mind, he set out to measure cross country efficiencies in terms of the familiar factor productivity estimates. Simply put, output grows because more inputs are employed. But over time, growth takes off because these inputs become more productive. These estimates of factor productivity revealed a discouraging picture of Soviet growth performance and its efficiency in the post-war period. Socialism turned out to be less potent in terms of Western norms of efficiency than was assumed. Soviet growth after all relied massively on employment of labor and capital rather than on their productivity. Again, factor productivity growth, not especially rapid to begin with, slowed in successive intervals, and indeed was negligible at the end of the period.

Abe's substantial work stretching over half a century-- , scientific, meticulous, and innovative in its application of concepts and measurement yardsticks-- , cast doubt on the functioning of socialist economies over time and in relation to their market economy counterparts. He presented his results, always emphasizing the limitations of his methods and the data, and without claiming to guarantee their infallibility. While demonstrating that the Soviet economy had serious and mounting problems, he never claimed to be a prophet. He was more a seismologist concerned about the escalating rumblings in the edifice rather than a forecaster of when and how it might crumble. Its sudden and ultimate "denouement" in 1991 surprised us all.

I managed to keep in touch with Abe since leaving the Russian Research Center in 1980. Abe's impact on my academic endeavors has stayed with me. These have proliferated in various directions from my earliest efficiency- related work of the Soviet economy to the new issues sweeping Russia's economic transition. But the watchwords in my research progression have been rigorous analysis combined with reliable information, and sensible conclusions based on their interaction. That has been Abe's legacy for me and his successors. I often think of him warmly and gratefully.