

sub-national governments impedes necessary reforms. The source and strength of sub-national government bargaining power with the central government varies widely across the countries, of course. Experience indicates that direct meetings between central and sub-national leaders are likely to be more effective than negotiations carried out with numerous sub-national representatives within national parliaments.

This well-designed and carefully crafted volume will be useful to researchers in the field of fiscal federalism, students of the countries covered, and policy advisors.

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Book Review

By Force of Thought: Irregular Memoirs of an Intellectual Journey
Janos Kornai

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Readers who know Janos Kornai mainly through his works have here an opportunity to understand the personality, intellectual evolution, and ethical code that drove the creator of that body of work. The book combines a somewhat circumscribed budget of information on his personal life with an intense exploration of how he evolved from a committed Marxist and believer in the system to total disenchantment and a conviction that it was impossible to reform it. Along the way it also provides an account of how his understanding of the system evolved and came to be expressed in the succession of major works for which he is known. These include the article with Tamas Liptak on two-level planning and the books *Overcentralization in Economic Administration*, *The Economics of Shortage*, and *The Socialist System*.

His method is what he calls 'honest introspection', and I would judge he has succeeded in that. He has buttressed memory with documentary retrospection, going back to reread his past notes and writings. He has also been able to use formerly secret documents, and this makes it possible for him to tell two different stories of his life – one as he experienced it, the other a virtual life as seen in the secret party and police documents. As for honesty, he is perfectly willing to evaluate critically his earlier ideas and moral decisions. And an honest understanding of oneself and one's relations with others was an important requisite for a survivor in that environment. But surely honesty is surely severely tested by the ego that surviving also required.

Kornai's account is full of fascinating material for anyone interested in the role of economics and the evolution of economic thought in the socialist world. As compared with the USSR, a relatively tolerant environment for economics existed in Hungary. Kornai's career shows an interesting comparison with that of the Soviet economist Boris Mikhalevskii. Like Kornai, Mikhalevskii came to economics late and accidentally after a broader exposure to humanistic studies, taught himself to be a mathematical economist, developed multi-level models, predicted the ultimate non-viability

of the system, was hounded by the secret police, but was protected in his heresies by an institution. Mikhalevskii was ultimately driven to despair and ruin by the system. Kornai, on the other hand, was able to follow a strategy of dissociation from the party and politics, publish his work in the west, travel, and ultimately accept academic positions abroad. He totally rejected any commitment to the party and the system, but refrained from doing anything illegal. He kept aloof from any activist role in reform but refused to emigrate. He believed that his most effective voice was that of a researcher who would reveal the basic non-viability of the system by realistic description and analysis of how it functioned. This is a fascinating story of survival and vindication, but one must surely attribute it to careful adherence to well-thought out strategic principles, enormous self-discipline, a powerful ego, and perhaps special Hungarian characteristics.

A central element in fashioning Kornai's professional identity was a decision to associate himself with Western economics, use its methods, and meet its standards. His heroes were the best in the West - Arrow, Hicks, Samuelson, and the like. He was fortunate to be invited to the best foreign institutions - Cambridge University, LSE, Harvard, Stanford, and The Institute for Advanced Study at Princeton. There is a lot in the book about the time he spent at these places and the pleasures they afforded. Judging from this book, though, Kornai had little use for the Sovietologists he met, such as Abram Bergson and his group at Harvard. In talking about the shortage economy he never mentions Holland Hunter and his ideas about tautness in planning. He thought reforms in the socialist system could never work, but he eschews mention of Gertrude Schroeder's apt phrase 'treadmill of reforms'. To judge from the bibliography attached to his capstone work, *The Socialist System*, he knew much of this literature. One would never know it from his autobiography. There is very little about his interactions with economists in the other countries of Eastern Europe or in the USSR, either. He must have had a deep-seated aversion to all things Soviet. From his account of his intellectual preoccupations, he seems never to have taken special note of the fact that Hungary was a small, open, economy. Trade is given appropriate treatment in *The Socialist System*, but not in this autobiography.

Kornai's ideas about the market went through a long evolution. Early he was much taken with the Walrasian model of market equilibrium. He soon passed from the novice's fascination with that model to a realisation that the real world was different, however. He absorbed the debate over Lange's proposal for market socialism and mulled over the conundrum of perfect administration *versus* perfect competition in resource allocation. Finally, he became more and more committed to the Hayekian view that a successful market economy can rely only on private ownership. It is not possible to

achieve market results by having bureaucrats play roles. The truth was that only a capitalist economy could operate a genuine - not a sham or simulated - market economy'. On that point he had it right. Earlier than many comparative economists, he may have lost any thought that it would be possible to reform socialism by moving toward markets. This may be one place where his deep experience as an insider gave him an edge.

The book contains several additional elements. A 32-page picture gallery reveals more of his more personal life but without a chronology of events in his life. It contains the only mention I found in the book of his first wife. There is a 52-entry glossary that includes information on various institutions and personages, and the book itself is full of comments about the figures and institutions of the Hungarian economics establishment.

Some of this long book will be redundant for those who have spent their professional lives working in comparative systems. Perhaps, too, it contains more introspection than is easily absorbed. But it is a rare example of a look inside the socialist system and inside the mind of a thoughtful and determined person at work within it, committed to the 'force of thought' as a way to make sense of that system. Anyone who has followed the history of the rise and fall of Soviet-style socialism from outside will find plenty of value-added in this detailed inside perspective.

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