HANGARI KAIKAKU SHI[A HISTORY OF HUNGARIAN REFORMS]. By *Tsuneo Morita,* Tokyo: Nihon Hyoron sha, 1990, xiii+239pp. ¥2,800.

Nowadays it is quite clear that the socialist economic systems all over the world could not furnish their people with neither sustained economic growth nor tolerable level of welfare. Almost all the socialist countries are trying to abandon the traditional command system of the economic management and are searching for a way to move over to the market economy as a more desirable substitute.

Hungary, as is well known, introduced a market type of economic management in her socialist system about twenty years ago, and reformed the command system. Other socialist countries could have learned from the so-called Hungarian model for introduction of market mechanism. For example, the Soviet Union in the first stage of her market-oriented reform, *perestroika,* made efforts to introduce a Hungarian type economy to revitalize her own economic system.

Hungary herself, however, has decided to introduce a through change of her economic mechanism, i. e. the Hungarian model of the market socialism, because its own economic performance was unspectacular during the 1970's and 80's. The course of events in 1989-90 definitely showed that it was necessary to relieve the critical economic situation by means of Western aid and of the restoration of the old capitalist order which had prevailed before the World War II.

Why did the Hungarian model fail? The answer does not lie in the failure of the command system and central planning in general, which is already thoroughly analysed by many eminent scholars. T. Morita is a professor of economics, whose speciality is comparative economic system, and who served as an economic advisory attaché to the Embassy of Japan at Budapest in 1988-90. His book is a very challenging and suggestive one on this topic. This book deals with Hungarian reform experience from a historical perspective, it is not written in a style of well-documented historiography, but rather in a style of comparative economic study of the subject, which gives us a very clear image of the faults and failures of the so-called Hungarian model of economic reforms.

Prof. Morita says that the dividing line of the Hungarian economic history in post-war period lies before and after 1956, and subdivides post 1956 stage in the two periods; the reform from 1957 to 1968 that is a transitory stage, and the another after 1968 onward to 1989, i. e., a state-monopoly socialism stage in proper. The latter period revealed to us inherent contradictions of the Hungarian model. Our interest thus concentrates on chapters 3, 4, 5, where the so-called NEM (New Economic Mechanism), i. e., the reform introduced in 1968 is dealt on in detail, and the limits and faults are discussed systematically, investigating the economic data and characteristic features during the 1970's and 80's.

Prof. Morita defines Hungarian economy in the first period as a war-time socialist economy almost the same as the Soviet model of command system. From 1968 onward appeared the real Hungarian model, whose some features were at variance with the Soviet system. The model consisted of 1) abolition of command system of production and distribution, namely, abolition of addressed planning, and 2) a change in the role of the ministries and of the bureaucratic apparatus. Administrative power was transfered from the industrial ministries to the functional bodies, e. g. price office and ministry of finance, and so on. This of course changed the war-time style of administration and functioning of the economy, but it has resulted in only little or minor reforms and many critical, essential, pivotal moments of the economy was left untouched. According to the auther, these moments were as follows: 1) the question of ownership remained the same; CMEA market relations were unchanged; the opening to the world market was not seriousely considered; 2) state-monopoly in itself was sustained and entrepreneurship was discouraged; 3) a radical credit-relation reform was hesitated; state subsidies were still strong elements in investment; 4) regulators were ever changing and the firms got into confusion all the time; 5) the adopted macro-adjustments were ad hoc whithout any clear, fixed vision for the future.

This model did not work as envisaged. It could not achieve a continuous economic growth, securing reasonable standard of welfare and efficient resource allocation. In the 1970's and 80's per capita GDP grew but only at a very slow pace, and the economic performance was rather poor when it is compared with that of the Western counterparts. As a matter of fact, East-West income differentials were widened, not narrowed. In addition, whereas the internal disequilbrium was mitigated, the international balance of payments got into serious trouble in the late 80's, international debt accumulated to a formidable sum of 16 billion dollars in 1987, i. e, 1500 dollars per capita. At the same time, inflation rates became 15% p. a. in 1988, budget deficits grew steadily, so Hungary fell into macro trilemma in the late 1980's. The reformed system as such brought about not so much a competitive market efficiency in the economy as patriarchical protectionism for both the people and the firms.

Prof. Morita gives fine explanations on these historical realities, using plenty of data and illustrative comparisons between East European countries. The "state-monopoly socialism" in Hungary was unable to resolve her macro-micro problems. On the contrary, it has led the economy very near to a national bankruptcy, just like the Polish economy. The Hungarian model, which purported to bring about a wealthy economy, an egalitarian socialism, supplmented by an efficiently competitive market, gave Hungarian people neither a satisfactory standard of living nor the international equilbrium.

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