

Schrader, Klaus

Book Review — Digitized Version

[Book Review of] Spulber, Nicolas: Restructuring the Soviet economy: in search of the marke, Ann Arbor, Univ. of Michigan Press, 1991

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Suggested Citation: Schrader, Klaus (1992) : [Book Review of] Spulber, Nicolas: Restructuring the Soviet economy: in search of the marke, Ann Arbor, Univ. of Michigan Press, 1991, Weltwirtschaftliches Archiv, ISSN 0043-2636, Mohr, Tübingen, Vol. 128, Iss. 3, pp. 605-607

This Version is available at:

<https://hdl.handle.net/10419/2175>

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social attitude encourages frugality. These and similar other social traits of Japanese society may help explain why Japan has one of the highest savings rate and one of the lowest rates of unionization in the entire industrial world.

Then there is the question of why Japan is able to continually follow these protectionist policies without effective retaliation. Is it because other nations do not know that Japan is following protectionist policies, or because they knowingly but grudgingly tolerate them? The author points out that part of the answer lies in Japan's success in projecting the Japanese economy as one of the most open economies in the world. He also points out that Japan is successful in building powerful lobby groups for the purpose of dissuading its trading partners from retaliating.

Throughout the book, the author has presented a tremendous amount of facts and figures to make his case. These are mostly contained in scattered factual statements which make it hard to understand them in any kind of historical perspective. A more efficient strategy would have been to put most of the information in a few tables and to present their time series behaviour in graphs.

Also, the author seems to be preoccupied with analyzing the Japanese policies and practices in the context of Japan-US economic relations to the virtual exclusion of other major trading partners. While it is understandable given the author's familiarity with the US and Japan, it fails to give a complete picture. It would be interesting, for instance, to analyze Japan-Germany or Japan-EEC economic relations.

There are many typographical errors and misspellings in the book. A frequent repetition of factual statements indicates poor editing. Like many books which have been written in recent months, this book contains references to socialist economies which have already been rendered obsolete.

In spite of these weaknesses, the book provides tremendous insights into the inner workings of the Japanese economy. The book has a wealth of information. Besides an exhaustive bibliography at the end of the book, each chapter has a list of readings for additional information. To sum, the book definitely has the potential to become one of the leading reference books on the subject. Its acquisition would make a valuable addition to libraries as well as to private collections.

Mohammed Ansari

Spulber, Nicolas, Restructuring the Soviet Economy – In Search of the Market. Ann Arbor 1991. University of Michigan Press. 315 pp.

The foundation of the "Commonwealth of Independent States" (CIS) on 8th December 1991 in Minsk sealed the fate of the Soviet Union. Insofar the suggestion would be justified that a publication dealing with the restructuring of the Soviet economy had been outdated by the dynamics of the political events. But Nicolas Spulber's "Restructuring the Soviet Economy – In Search of the Market" does not represent such a perishable good. The author thoroughly describes Gorbachev's half-hearted reform initiatives as a third way between central plan and market economy which led into a dead end – a valuable experience for the Soviet Union's successor states and the other Eastern European countries which do not try the painful way of market reforms without any doubts. Spulber enables the reader to understand why Gorbachev's experiments with a mixed economy could not prevent the breakdown of the Soviet system and finally induced the desintegration of the Soviet empire.

Already in the first part of his book (pp. 9–48), which deals with the adjustment of the economic mechanism during perestroika, Spulber elaborates the half-heartedness of Gorbachev's reforms since 1985. He describes the reforms as an attempt to disengage the party, state and the economy by separating state administration and hitherto super-

vising communist party structures, increasing the private respectively local share of production, loosening the primacy of capital goods production, introducing market relations and delegating more responsibilities to the enterprises. But these reform initiatives are exposed as pure cosmetics by Spulber who points to remaining restrictions: Central resource allocation and central structuring of industry, central control of supply- and demand-relations, the absence of a capital market and a system of centrally established norms (prices, wages, profit distributions). Perestroika appears to be a Potemkin village: a nice scenery with nothing behind. This impression is further strengthened in the following parts which allow some "glasnost", that means a more detailed look behind the scenery.

The missing consequence of Gorbachev's reforms is subsequently described by the attempt to reform the directive center while preserving simultaneously its traditional functions. This impossible mission is the topic of the book's second part which is structured according to the center's management tasks (pp. 49–168). Although the center delegated responsibilities to regional bodies, e.g. for the light and consumer goods industry, these institutions were not provided with the authority to make the necessary decisions. Consequently, nothing really changed with the exception that even the planning executives were no longer thoroughly convinced that they were correct as Spulber remarks.

In regard to these conditions it is not surprising that Spulber discovers repeatedly the traditional magic formulas of socialism in the fields of management. Under these circumstances capital management still meant investment decisions without considering profitability or, for example, an attempt to restructure the machine tool sector by concentrating capital in this sector. But this attempt failed to speed up the technical progress the same way as comparable giant investment projects in the ante-Gorbachev-periods. The venture to accelerate quantitative growth and to improve product qualities simultaneously proved to be a pure illusion.

Spulber's analysis of manpower management also reveals the inconsistency of Gorbachev's reforms: Although the enterprises were permitted to pay performance oriented wages and to lay off workers, at the same time the right to work was still guaranteed and enforced by programmes following the old scheme.

Looking at the fiscal management the lack of convincing reforms becomes obvious once more: The state budget remained the most important instrument to centralize resources and redistribute them according to the central plan. By this technique it was possible to enforce priorities like the industrialization of Russia or the production of capital goods. Budget deficits were financed by the printing press, a disastrous tradition which is also practiced by today's post-Gorbachev reformers. In this context Spulber emphasizes the lack of reforms in the field of money and credit management: Faulty planning and faulty plan implementations, e.g. in respect to the state budget and bank credits, are shown to be the main causes of inflation. The necessary price reforms which would have introduced market prices indicating the real scarcities and the introduction of a potential oriented money supply were not realized. Spulber adds that without market prices a realistic measure for the national product does not exist which would be a precondition for meaningful international comparisons.

Complementing the second part of his book, Spulber analyzes the reform steps at the sectoral level in the third part. The inconsequence of Gorbachev's reforms is demonstrated again by the example of the manufacturing sector: on the one side enterprises gained internal autonomy but on the other important decisions like price formation or investment were still determined centrally. The "reformers" obviously lacked the political will to define clear responsibilities.

Spulber also discovers the tracks of the failed experiments of a mixed economy in the agro-industry sector: The productivity of the still collectivized agriculture remained

at a low level although private production opportunities were established. This result is not surprising in the view of administrative prices, an inefficient central distribution of production equipment and the obvious hostility towards investments.

Similar deficits existed in the area of supply and trade, which were reflected by the growing grey or black markets. According to Spulber these obvious shortages in consumer goods induced major parts of the population to demand radical reforms instead of reform compromises, which even worsened the supply situation.

Only the foreign trade sector appeared to become more market minded considering the trust busting activities which were directed against the foreign trade monopolies. But the most important question in this regard, the convertibility of the Rouble which is closely linked with the introduction of a hard currency, was left open.

In the final part of his book Spulber offers general comments on the Soviet reform periods in the twenties (New Economic Policy = NEP) and eighties (Perestroika). The NEP seemed to represent a fruitless experiment with second-best ideas restricted by the ideological base of Marxism. Under the same restriction Gorbachev's attempt to stimulate the market mechanism with the help of artificial substitutes also failed to solve the economic problems of the Soviet Empire.

The failure of the centrally planned economy and Gorbachev's half-hearted reforms, which Spulber so well describes, should urge today's reformers in the CIS to be seriously in search of the market and not to be in search of a compromise like their predecessors. Unfortunately Spulber does not systematically present the market alternatives to the concept of a centrally planned and a mixed economy. Moreover, he appears to be too pessimistic – probably in view of past Soviet policy failures – when he regards some decades as the appropriate time schedule to carry through important market reforms. Perhaps the author should regard with less distance the so-called "dreamers", who dream of short-term radical reforms. Is it a dream to suggest that there are no decades left to prevent an economic catastrophe in the ruins of the Soviet Union?

Klaus Schrader

Winters, L. Alan, David Sapsford (Eds.), Primary Commodity Prices: Economic Models and Policy. Cambridge, Mass., New York, Port Chester, Melbourne, Sydney 1990. Cambridge University Press. XVIII, 310 S.

Nach wie vor stellen Rohstoffexporte die wichtigste Devisenquelle zahlreicher Entwicklungsländer dar. Aus Preisschwankungen resultierende Einnahmefluktuationen können für diese Länder gesamtwirtschaftlich negative Konsequenzen haben. Dieser Aspekt steht im Vergleich zu der spiegelbildlichen Wirkung instabiler Rohstoffpreise, nämlich den Ausgabeschwankungen der Industrieländer, im Vordergrund des vorliegenden Buches, das zehn Referate von 17 Autoren und die Diskussionsbeiträge einer Tagung enthält, die das „Centre for Economic Policy Research“ im März 1989 in London organisiert hat.

In einem einleitenden Kapitel umreißen die Herausgeber zunächst die wirtschaftspolitische Fragestellung und geben einen kurzen inhaltlichen Überblick über die folgenden Beiträge. Der erste Teil des Buches enthält drei Referate, in deren Mittelpunkt ökonomische Analysen und dabei insbesondere Probleme der Formulierung und des Tests von Preiserwartungshypothesen stehen. In einer Untersuchung für sechs Produkte kommen *Gilbert/Palaskas* zu dem Ergebnis, daß rationale Erwartungen (im Sinne von Muth) als Verhaltenshypothese für Marktteilnehmer nur für eines der untersuchten Produkte, nämlich Kupfer, bestätigt wurden. Es ist zugleich von den untersuchten Rohstoffen jener Markt, auf dem auf internationaler Ebene nicht interveniert wurde.