

In spite of the substantial amount of research that has been done on Soviet agriculture, we still have only a limited perspective on the role of agriculture in the Soviet development effort. James R. Millar's pioneering attempt to analyze the agricultural surplus focused upon a limited time span, and no in-depth analysis of labor flows exists. Although the editor deserves credit for pointing out that substantial progress has been made in Soviet agriculture and for his emphasis upon balance in examining the record, the volume does not contribute substantially to our knowledge of Soviet agriculture and its role in Soviet economic development.

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INTERNATIONAL TRADE UNDER COMMUNISM—POLITICS AND ECONOMICS. By *Franklyn D. Holzman*. New York: Basic Books, 1976. xvi, 239 pp. \$10.00.

If I were asked to recommend one book on the foreign trade of the member countries of the Council for Mutual Economic Assistance (CMEA), this would be the one. In little more than two hundred pages Holzman achieves an intellectual tour de force. His arguments are so lucid, his explanations of institutional, political, and economic interactions so simple yet so complete that the complexities surrounding the CMEA are made accessible to the layman. The book, however, is not simply a successful popularization. Holzman's scholarship is evident throughout, and the specialist in East European economics and politics will be amply rewarded both by Holzman's framework for the analysis of CMEA trade and by the insights he derives from this framework.

The first two chapters examine the organization and operation of the domestic economies and the foreign trade sectors of CMEA member countries. Not only do these chapters present the background material necessary for an understanding of CMEA trade, but they can also serve as a concise introduction to East European economies in any course where such background is required. Chapters 3, 4, and 5 deal with intra-CMEA trade, East-West trade, and CMEA trade with developing countries, respectively. Intra-CMEA trade is analyzed by using three models: a taxonomic model of economic and political power, the traditional Western analysis of international economic integration, and a model of economic warfare. The first model is used to describe the evolution of relations between the Soviet Union and other members of the CMEA, with Soviet policy changing from economic exploitation of its partners to the sacrifice of Soviet economic gains in order to maintain the desired level of control over Eastern Europe. The economic integration framework is used to evaluate the potential benefits and costs of the CMEA and the impact of the distribution of these gains on intra-CMEA relations. The economic warfare model is used to examine Soviet efforts to use trade against Albania, China, and Yugoslavia. The third model is carried over to the next chapter, in which Holzman chronicles the evolution of Western policy from the Cold War to détente. The centrifugal effects of East-West trade on both the West's efforts to control trade with the Soviet bloc and on CMEA integration are clearly spelled out, as are issues of national security and the linkage of economic and political goals. CMEA trade with and aid to developing countries are viewed in terms of both economic factors and the political payoffs to the Soviet bloc. The book concludes with a rather cursory review of future issues, including CMEA integration, East European debts to the West, and the need to incorporate East-West issues into the broader context of international economic relations.

Despite my admiration for Holzman's analysis of CMEA trade, I must register disagreement with him on the question of the economic benefits of the CMEA. Holzman boldly asserts that "the qualitative conditions for a successful customs union are so poorly fulfilled by the Soviet bloc nations that it is safe to infer that CMEA is a losing proposition in economic terms" (p. 59). The evidence which Holzman musters in support of this conclusion, however, does not stand up to close scrutiny. Moreover, the validity of Holzman's assertion is important, because much of what he says about intra-CMEA relations hinges on it.

Holzman bases his negative assessment of CMEA on (1) the need for bilateral balancing in intra-CMEA trade and (2) the lack of preintegration trade among CMEA members. The first argument consists of several parts. It starts with the familiar argument that the imposition of a nontrivial constraint on a constrained maximization optimum must necessarily reduce the value of the objective function. Although formally correct, its validity depends upon the assumption that an optimal solution in the absence of the additional constraint does in fact exist. We can conclude a priori, therefore, that bilateralism reduces gains from intra-CMEA trade only if we are willing to ignore the unlikelihood that multilateral intra-CMEA trade would satisfy first-order maximizing conditions for the relevant optimizing problem. To admit that multilateral intra-CMEA trade might not be optimal is to make ambiguous whether the imposition of bilateral balancing increases or decreases welfare.

Holzman also attempts to muster empirical evidence in support of his conclusion. He argues first that bilateralism reduces the volume of trade and cites the low trade participation ratios of CMEA countries. Even if one were to accept such casual empiricism at face value, these low participation ratios may readily be attributed to other causes. In a planned economy, adjustment costs resulting from trade are internalized and borne by the state, which also makes trade decisions. In a market economy, such costs are borne not by traders, but by workers whose jobs are displaced or by owners of capital, the value of which falls because of competition from imports. Thus, it is to be expected that planned economies trade less. Second, Holzman cites a Polish source which complains that Poland imports and exports machinery of identical characteristics. Again, this is compelling only if one has already accepted Holzman's conclusion. Otherwise, it is much like the complaints of French winemakers, Italian refrigerator manufacturers, or German chemical firms about the importation of products with similar "technical characteristics." After all, such exchanges account for a large part of trade among all industrialized countries. Indeed, the simultaneous import and export of consumer goods by CMEA countries may greatly benefit consumers by providing a variety not otherwise available.

Holzman's second argument is that the benefits of the CMEA are minimal because preintegration trade (in 1938) was small among the CMEA countries and large with Western Europe. This argument is a misunderstanding of history and customs union theory, which views low preintegration trade as a sign that the union's members are not competitive in each others' markets. For the most part, however, in 1938 the Soviet Union had no trade. The countries of Eastern Europe were divided by mutual hostilities and tariff barriers which severely reduced their trade with each other. On the other hand, German economic penetration of Eastern Europe artificially increased East-West exchanges. As a result, 1938 trade flows tell us virtually nothing about the potential benefits of intra-CMEA trade.

Despite my disagreement with Holzman on the economic merits of the CMEA, this book is must reading for all students of socialist economies.

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