

THE NET COST OF SOVIET FOREIGN AID. By *James Richard Carter*. Foreword by *Raymond F. Mikesell*. New York, Washington, London: Praeger Publishers, 1971. xvi, 134 pp. \$12.50.

There are various ways in which a country can reduce the cost of giving economic aid to underdeveloped countries. One of them is by giving loans rather than grants. A second is by price discrimination—charging the aid-recipient high prices for what he buys under the loan, and paying low prices for the goods he exports in repayment of the loan. Since Soviet economic aid consists primarily of loans, the question of the net cost of that aid program is an important one. Using methods developed for the analysis of Western aid programs, Professor Carter presents in this book an estimate of the net costs. He finds that between 1955 and 1968 the USSR delivered \$3.1 billion in goods and services to non-Communist underdeveloped countries. After deducting what they got back in repayment of the loan-aid, and the benefit from price discrimination (plus some minor additional gains), the net cost is estimated to be only \$680 million.

The value to the Soviets of the loan repayment is calculated as the present value of the estimated repayments stream discounted at 15 percent, which is Carter's plausible assumption about the rate of return on capital in the USSR. This is the strongest part of the study. Carter's treatment of the Soviet gain from price discrimination is more controversial. Relying solely on writers who find the Soviets to be highly discriminatory (Mendershausen, Kutt), he ignores significant opposing views (Holzman, Pryor). In the statistical analysis of unit-values, no attention is given to such complex matters as product homogeneity. Finding, for example, that underdeveloped countries bought trucks from the USSR at an average price (unit-value) over four times that paid by buyers in industrial countries, Carter concludes that Soviet price discrimination amounts to over 400 percent in this case, without examining whether the trucks may have been of different sizes and quality.

The evidence suggests strongly that some degree of price discrimination does exist, but the estimate of 15 percent on both exports and imports is hard to accept. Carter's estimates of the value of loan repayments provide a reasonably firm basis for judging the net cost of the aid program, but the magnitude of the price-discrimination benefit must still be regarded as speculative.

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COMMUNIST INTERNATIONAL ECONOMICS. By *P. J. D. Wiles*. New York and Washington: Praeger Publishers, 1969. xi, 566 pp. \$12.50.

This is probably the most important book to date in the burgeoning literature on the political economy of foreign trade of Soviet-type economies. In eighteen chapters and numerous quantitative examples, both empirical and theoretical, and stressing the USSR, Wiles covers all phases of the experience, including Marxist theory and Soviet institutions, balance of payments and exchange rates, efficiency criteria, trade structure and its terms, finance, international integration, and economic war.

The economist will be especially interested in the author's many theoretical contributions. In chapter 4, for example, he presents a reformulation of the foreign trade multiplier so that the concept will apply to Soviet-type economies, stressing a

lagged rather than an instantaneous multiplier and leading to the policy conclusion that export subsidies are one appropriate way out of balance-of-payments difficulties, since the monetary inflation which might result does not lead to increased imports. He then formulates a theory he calls the "bottleneck effect," by which a cut in imports may cause a reduced supply of the product whose manufacture depends on the import, and hence to a multiplication of the impact of the decline throughout a wider range in the economy. This is essentially a physical rather than a monetary phenomenon and, combined with the multiplier effect, leads Wiles to a more general theory of the relations between the bottleneck and multiplier effects than is currently found in Western theory.

In a different vein, Wiles relates economic warfare to the search (or is it odyssey) for peace, which he begins with, "How, if at all, do international economic relations promote peace?" He admits, tongue in cheek, that the "attempt to answer such a question lowers the tone of the whole book." Hardly, for it is in the no man's land of the relation between economics and politics that Wiles's work soars above that of his fellow economists. Only one historical parallel exists, he states, between the position of the USSR within the Comecon: Prussia in the Zollverein, a bloc of one large country and several small ones (chap. 12). The "paradox of the CMEA is that under Stalin the U.S.S.R. had the power, but not the will, to impose any degree of economic unity short of outright annexation; while under Khrushchev it had the will but not the power." The tug between national sovereignty and the "socialist international division of labor," particularly as shown in the affair of the Rumanian Galati steel works, "augurs very ill for integration within the CMEA." And, in another spot, "Virtually every nationality in Eastern Europe hates each of its immediate neighbors." Throughout, Wiles presents us with historical and political analysis which makes the book interesting to noneconomists as well as economists.

A new book by Wiles is a major event in Western scholarship on the Soviet and bloc economies, and this one fully realizes the promise of his earlier major work, *The Political Economy of Communism*. Any library above the community college level should have *two* copies of each, for they are rather heavy going (one does not assimilate either text overnight). Yet, because of the author's blend of erudition, daring insight, and wit, the books will be standards in the field for years to come.

At the risk of appearing churlish, it should be noted that Wiles's insistence on using abbreviations is jarring, even with the help of his glossary. Still, this is indeed a small price to pay for having Wiles around.

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ORGANISATIONSPROBLEME DER WIRTSCHAFTSREFORMEN IN DER UdSSR UND DER DDR IM LICHTE DER KYBERNETIK UND GRAPHENTHEORIE. By G. Kade, H.-J. Zubrod, and R. Hujer. Studien über Wirtschafts- und Systemvergleiche, vol. 3. Österreichisches Institut für Wirtschaftsforschung. Vienna and New York: Springer-Verlag, 1971. 144 pp. DM 27.50. \$8.60, paper.

This is a book which American students of planning in Soviet and East European economies should find very useful. As far as I am aware there is no work in English that attempts to apply graph-theoretic methods and cybernetic theory to