BOOK REVIEWS

SOREN-TOŌ-SHOKOKU NO KEIZAIHATTEN TO SEISANSEI NO SUSEI [Economic Development and Productivity Trends in the Soviet Union and East European Countries]. By *Yasuhiko Yoshida*, Tokyo: Kazama Shobou, 1990, vi+238+4pp. ¥6,180.

Professor Yoshida can properly be introduced as one of the pionerring scholars in Japan on the empirical analysis of the Soviet economy, which Abram Bergson initiated in the U. S. As early as in 1960, Prof. Yoshida published a thesis on capital output ratio of the Soviet economy, presumably the first in Japan on this subject. Until 1985 the Soviet Union did not publish productivity of fixed capital stock (fondootdacha) in official economic annuals.

Using total factor productivity as his main analytical tool, the author leads us to the conclusion in a persuasive way that the Soviet economy has been unable to get out of the trap of the law of deminishing returns since 1928. The economy, in other word, has not accomplished growth motivated by a technological innovation.

The high economic growth which the Soviet Union has enjoyed up to the early Brezhinev era, according to the author, was generated by massive capital input —"extensive growth" in the Soviet terminology. For this analysis the economic dynamics model of Roy Harrod is used by the author.

Especially during the 1960s, the Soviet approach to economic growth, that is, so called "extensive growth," showed "increasingly negative effect." This is shown clearly in the tendency of rising capital output ratio as the author empirically calcurated with success.

Therefore, it may be concluded that "all the productive sectors of the economy except construction have no incentive for technological changes." Prof. Yoshida presumes that the largest stumbling block for technological innovations lies in the Soviets' centrally planned economic system itself.

It has been fairly widely observed that a command-type planning system can neither allocate resources effectively nor properly yield enough incentives for economic growth. The observation is strongly verified by Prof. Yoshida's laborious work and also by the recent historic events in Eastern bloc. The author is kindly enough to give us some addtional works of same analysis on the East European countries, which have also shown downtrends of capital and labor productivity.

Under Gorbachev's reign since 1985, the *perestroika* has deepened. But "in the Soviet Union with the emergence of Gorbachev, capital productivity and total factor productivity have remained on decline. Judging from those trends, the Soviet economy is still running on the track of extensive economic development and shows no signs of changing the course toward intensive economic development," according to the author.

In concluding his analysis, Prof. Yoshida is far from optimistic about the economic reform of the Soviet Union, which is now under way. Nor does he expect much of peace-dividends in the Soviet Union as a consequence of arms reduction, because there would be mounting difficulties for the country in innovating the economic system into a market-oriented one which is crucial to revitalize the economy.

Prof. Yoshida's highly pains-taking work deserves merit on two points: The empirical method using tools of modern economics and its implications for the prospects of the ongoing economic reform in the Soviet Union.

There seem to be two questions that remain unanswered for the readers. The first concerns the extent of the damage done by the two oil-shocks to the Soviet economy. My assumption is that the oil-shocks almost fatally have delayed the Soviet efforts to reform its system.

The second question has something to do with the statistics the author used. Under Gorbachev's *glasnost'*, Soviet scholars revealed many false statistics. If these revelations are right, the downturn trends of Soviet economic growth and productivity must have been much worse than Prof. Yoshida demonstrated.

Minoru NAGATA
Nihon Keizai Shimbun