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Review Of "International Division Of Labour In Open Economies: With Special Regard To CMEA" By T. Kiss

Frederic L. Pryor

Swarthmore College, fprior1@swarthmore.edu

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Review

Reviewed Work(s): International Division of Labour in Open Economies. With Special
Regard to the CMEA. by Tibor Kiss and J. Rácz

Review by: Frederic L. Pryor

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systematic analysis of precisely how modern corporate behavior leads inexorably to the social ailments Tanzer identifies. The richness of analytical power that, say, Baran and Sweezy muster in their surplus absorption model in *Monopoly capital* is absent from Tanzer's book. Rather than identifying the laws of motion of monopoly capitalism—as Baran and Sweezy and their contemporary followers in modern radical political economy try to do—Tanzer has identified the *outcomes* of the corporate economy without providing a sufficiently careful dissection of the connecting links between the laws of motion of monopoly capitalism and their resultant manifestations in society.

Because of this weakness in his analysis, Tanzer's conclusion that "the sick society's chronic illnesses are not remediable within the anatomical framework of the present corporate-dominated society" is less convincing that it could be and less convincing than that of other contemporary works in radical political economy. Tanzer argues further that "while the chronic ills of the system are not necessarily fatal, other than in terms of the human spirit, the picture becomes very different if we add to it the likely heart attack of an economic breakdown." And the breakdown is seen as a financial collapse (both domestically and internationally)—continuing the metaphor of the book's title: "a death by heart attack, owing to the failure of the system's blood—money—to circulate through the social body." Thus, the source of a potential radical transformation in America must await its economic breakdown.

Again the analysis is very suggestive of appropriate directions, but it is not carefully worked out. The radical social movements in our present pretransitional stage are derived more from the intensification of massive alienation due to the increasing irrational means used to absorb the growing surplus in the economy than from any economic crisis. Economic crises tend to produce reaction and retrenchment in monopoly capitalism rather than radical social movements. If the question for the remainder of this century (within monopoly capitalism) is power and alienation, then we should expect to see radical social forces thrown forth in response to these contradictions. And indeed this is what we do see. Eco-

nomics *security* rather than *insecurity* seems to produce socialist consciousness, paralleling the qualitative changes from competitive to monopoly capitalism.

Tanzer's vision of a socialist alternative—a "healthy society" to replace the sick one—is familiar to anyone who has participated in the radical social movements of the last decade: "collective ownership of the corporations that now control the American Economy," a more "humane" way or organizing production, a "more egalitarian distribution of income," and "coordinated planning." But the absence of a dialectical analysis of how the social forces will arise from the contradictions of monopoly capitalism leaves us with a vision but no concrete means to organize to achieve that vision.

The task for a radical political economic analysis is to examine the laws of motion of monopoly capitalism to illuminate their manifestations in our society. After this is done, we can then analyze the trajectory of change induced by the contradictions inherent in the dynamics of the society.

Tanzer's *The sick society* contains a lucid description of the symptoms while falling short of an analysis of causes. Nevertheless, I would recommend the book for use in an introductory economics course, especially for those recalcitrant souls who have not yet introduced a more comprehensive treatment of radical political economy into the core of their course.

HOWARD M. WACHTEL

The American University
Washington, D.C.

100 Economic Growth; Development; Planning; Fluctuations

110 ECONOMIC GROWTH, DEVELOPMENT AND PLANNING THEORY AND POLICY

International division of labour in open economies. With special regard to the CMEA. By TIBOR KISS. Translated by J. RÁCZ. Budapest, Hungary: Akadémiai Kiadó, 1971. Pp. 322. \$6.60.

Books by East European authors about the economic problems of their nations can be reviewed in Western journals in terms of their contribution to economic theory, their contri-

bution to our knowledge of economic events in these nations, or their contributions to our knowledge of policy differences and directions. I would like to comment on the book under review from all three perspectives.

As a contribution to our knowledge of foreign trade theory, Kiss' book has little to offer. Although the author is quite familiar with the most important Western books on foreign trade theory, he can be justly criticized for theoretical errors at a number of places in the book. But the purpose of the book is not theoretical, and it is important to note that the author summarizes various Western authors in a fair-minded manner and is not hesitant in using Western analytic tools to analyze foreign trade problems of East Europe.

As a contribution to our knowledge of foreign trade practices in East Europe, the book is extremely valuable. First of all, he performs a number of calculations using Hungarian data which give us considerable understanding of Hungarian foreign trade problems. For instance, he uses an input-output technique to discover the man-hours and the units of capital of exports and competitive imports and shows, among other things, that Hungarian trade with the West appears quite unfavorable in terms of both these factors. He also performs such calculations for other East European nations. Second, he has an interesting discussion on the way agricultural fluctuations have affected the Hungarian trade balance and how the trade balance, in turn, has strongly influenced the growth of investment and consumption. Third, his descriptions of trade practices between the various East European nations are extremely frank and revealing. He discusses how various nations have insisted, not only on balancing trade bilaterally, but also according to separate trade categories. He analyzes the use and misuse of all-bloc material balances by the CMEA (Council for Mutual Economic Assistance) and gives a number of concrete examples of the inadequacy of joint planning efforts up to now. He discusses the work of a number of CMEA subcommittees and, more importantly, what they have not done. His discussions of such matters as the operation of the CMEA Bank of International Economic Coop-

eration, the processes by which technology is exchanged, the granting of credits by one CMEA nation to another, or the bargaining of prices between nations lack the euphoric tones of many East European authors and instead are marked with candor and acuity.

This does not mean that his descriptive analysis is faultless. His use of data, especially in international comparisons, is often quite sloppy (*e.g.*, he insists on comparing growth rates of net material product of Eastern nations with national income of Western nations). Furthermore, the conclusions he draws from his many tables often seem quite dubious. He also often presents his own calculations without any adequate discussion of their derivation. In spite of these faults, which make reading the text quite irksome at times, much of his descriptive analysis, especially of institutions and practices, is extremely valuable to Western economists studying East European economic problems.

As a contribution to our knowledge of East European policy matters, the book also has much to recommend it. Even though the author has adopted the Soviet view that the CMEA nations are exploiting the Soviet Union by forcing it to export capital intensive raw materials at low prices to them (the documentation on these matters leaves something to be desired), his analysis of the raw material crisis within Eastern Europe is illuminating. The author frankly recognizes the various conflicts of interest within the CMEA, discusses the way in which various nations have tried to use the CMEA for their own national policies, and analyzes some of the policy issues involved. He also polemicizes against various East European economists (especially the East Germans) so that the reader obtains a feeling about some of the critical policy issues.

Kiss argues for a series of changes of policies, including a CMEA customs union; a special CMEA price basis (other than capitalist market prices) for intra-bloc trade; more intensive long-range plan coordination, and, at the same time, less central direction of intra-CMEA trade; and a series of other measures for different types of co-operations. It does not seem to me that Kiss adequately confronts the problem that economic reforms in the various

nations have proceeded in quite different directions; thus his proposed decentralized intra-block trade mechanisms might not be consistent with the relative centralized economic mechanisms of such countries as East Germany and Rumania.

The book as a whole bears many marks of a rush job. Although the translation is generally good, the text is ragged in places, the footnotes are riddled with errors, and the depth of analysis in places leaves much to be desired. But the author has attacked a number of serious problems in an honest manner. Although the book may not be of great interest to the general reader, it is valuable not only to the East European specialist but also to those concerned with problems of trade and economic integration.

FREDERIC L. PRYOR

Swarthmore College

Economic growth of nations: Total output and production structure. By SIMON KUZNETS. Cambridge, Mass.: Harvard University Press, 1971. Pp. xii, 363. \$15.00.

The United States, so it appears to an outside observer, frequently allows its affairs to deteriorate to a scandalous degree—from 19th century monopolies through Prohibition to pollution—but then reacts with far greater speed and vigor than other countries in cleansing the abuse. So it was in the field of national product studies. The present generation will find it hard to believe that, when blasted by the economic gale of 1929–33, American economists and statesmen not only completely lacked theoretical understanding of the situation, but also the simplest facts about national product and its decline, and were still relying on the crude and antiquated methods of W. I. King. The state of knowledge at that time was somewhat better in Europe, particularly in Britain and Germany with their more adequate taxation statistics.

In the United States the turning point came—it was dramatic—in 1933, when the Senate had the wisdom to commission Kuznets to prepare a comprehensive study of the national product between 1929 and 1932. The shocking results served to sober the “feather-headedness” (Sir Dennis Robertson’s phrase) of

American politicians at that time. But of more lasting importance was the fact that Kuznets, working under pressure as he was, was able to effect immense improvements in the “value added by industry” method, and his work became a model subsequently followed throughout the world. In the 1930s he went on to perfect the alternative “gross final commodity flow” method. In 1947 Kuznets took the initiative in founding the International Association for Research in Income and Wealth, and succeeded in obtaining funds to finance national product studies throughout the world, using approximately comparable methods and definitions, and going as far back as possible into history.

Kuznets wrote a friendly review of a book which this reviewer published in 1932 (this reviewer was then attempting to effect major improvements in British national product statistics). It is a great pleasure to be able to reciprocate after forty years.

Just as no one can do successful work in microeconomics without considerable knowledge of technology, it is even more true that valid conclusions on long-run macroeconomics can only be drawn by a writer who also has extensive and critical knowledge in the fields of history, politics, and sociology. Kuznets, while carefully abstaining from making a display of his learning, possesses these qualities to the full. There can be hardly any other economist in the world now who grew up to maturity in pre-revolutionary Russia—an education in itself. Kuznets was always interested in economics, proceeding in his High School uniform to seek detailed information from the accountants of mining companies, and being courteously received.

As the international results gradually became available, Kuznets reviewed them in an authoritative series of articles in *Economic Development and Cultural Change*. The original intention was to edit and update these papers, but “it proved impossible to neglect major additions to data, as well as the analytical conclusions which the complete set of papers suggested.”

Except for the United States, almost the whole world has enjoyed a great acceleration