

Institute of Housing Economy. It is a sad commentary on the times, and their legacy, that those who suffered unjustly in 1968 have not been "rehabilitated" by Gierek.

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FOREIGN TRADE PRICES IN THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE. By *Edward A. Hewett*. Soviet and East European Studies Series. New York and London: Cambridge University Press, 1974. xii, 196 pp. \$17.50.

Edward Hewett has tackled a difficult, timely subject in a professional manner. This book is a useful contribution to a relatively small number of works on the topic.

The timeliness of the subject is illustrated by recent reports in the 1975 meetings that intra-CMEA prices have changed significantly. According to Hungarian and Polish reports, prices will now be tied to world market prices and changed annually on the basis of a five-year moving average. This means that Soviet oil, which has been sold in Eastern Europe at as low as \$2.50 a barrel, may rise to \$7.00 a barrel next year and to over \$10.00 a barrel by the end of the next five-year plan. Clearly, the subject of Professor Hewett's book has become the most important issue in CMEA.

Hewett's focus is on another significant, though earlier, development in CMEA—the publication of the Comprehensive Program providing guidelines for the current plans (1971–75). His treatment of foreign trade pricing is an empirical approach to price formulation and analysis. He develops a general model to aid in an analysis of the importance of foreign trade prices as determinants in the movement of resources.

Hewett finds the Comprehensive Program to be an important step in the identification of shared goals, institutions, and problems in CMEA. CMEA economists agree on goals of high growth to raise real income per capita and productive capacity relative to Western economies. They also agree that the vehicles for improvement are technological change and increased efficiency in resource allocation. But the Soviets and many of the East Europeans differ on the approach: continued central control versus decentralization with use of the market mechanisms. On this debate Hewett comes down on the side of the East Europeans. "It seems likely, therefore, that events and debates will continue to educate Soviet policy-makers (with the assistance of perceptive East European economists) and that eventually they will understand the logic of a decentralized system. Such a drastic evolution in viewpoints will come neither rapidly or easily. When it does occur, it will be so clothed in jargon that it may be difficult to recognize. Nevertheless, decentralization, and all that follows from such measures, seems quite probable and has been since sustained economic growth became the goal of CMEA planners" (p. 192). What may be wrong in Professor Hewett's perception is the assessment of the politics rather than the economics of the issue. It may be that Soviet economists such as Academician Igor Bogomolov understand the arguments of the East European economists but do not feel that it is in the Soviet national interest to emulate them. The Hungarian New Economic Mechanism (NEM) and the Polish New Strategy may be fine for the Hungarians and the Poles, but what do

these reforms do for the Soviet Union? That may be a tough question for Soviet economists to answer.

The 1975 price changes in CMEA suggest that the Soviet Union does not wish to continue to subsidize its CMEA partners. Higher prices for Soviet oil may mean more or better CMEA industrial goods delivered to the Soviet Union, more investment in Soviet projects, and/or possibly more political allegiance. There is, however, another possibility. Acceptance by CMEA of annual price changes based on world markets, coupled with reduced levels of bilateral deliveries, may turn out—in the long run—to be an important step toward decentralization in CMEA. Even steps toward convertibility and internal, market-simulating prices are possible. This is an argument one may hear from some East European economists. However, if this occurs, it will probably result from a Soviet decision to disengage economically from Eastern Europe rather than from an educational process in which the more professional Hungarians and Poles have enlightened their colleagues to the east of the superiority of the market process.

Edward Hewett's book is primarily for the specialist. But, because events have moved rapidly since its publication, what the specialist needs is a second edition of this excellent analysis, one that takes into account these recent developments.

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BILATERALISM AND STRUCTURAL BILATERALISM IN INTRA-CMEA TRADE. By *Jozef M. P. van Brabant*. Rotterdam: Rotterdam University Press, 1973. xiii, 290 pp. 69.50 Dfl.

Structural bilateralism is defined as bilateralism within commodity groups. The extent of structural bilateralism within CMEA trade is determined by a commodity-country reciprocity index extending the country reciprocity index put forward by Frederic Pryor. Brabant's indexes show a wide variation among the CMEA countries within four commodity groups, the highest value being reached in the industrial producers goods group in the early years, and declining by 1965. There is a somewhat lower but more stable pattern in consumer durables. The behavior of these goods—"hard goods"—is contrasted with that of the "soft goods"—raw materials and foods—in the CMEA, as well as with trade patterns in Western Europe, in both of which reciprocity is lower.

Having established that structural bilateralism is higher in CMEA, Brabant tries to analyze the welfare costs. This is no easy task. It requires, first, an estimate of unconstrained welfare maximizing trade behavior, and, next, some way to measure the cost of departures from this norm. Brabant is more successful in the first respect, determining normative trade relations on the basis of trade-generating coefficients estimated for Western European customs union areas and applying these to the CMEA. Without more information, the most one can say is that when actuals depart from the normatives, there is some welfare loss.

Many of the author's statistical calculations will command wide interest since he explores the extent of bilateralism further than has been done before. The book will probably be a wearying experience for most readers, however, because of its turgid expository style, the high incidence of typographical errors, the imprecision