

Domar, Evsey D. *Capitalism, Socialism and Serfdom: Essays by Evsey D. Domar*. Cambridge University Press, Cambridge, 1989. xxi + 294 pp. Tables. Figures. Index. £30.00.

DOMAR is hard to categorise. A mathematical economist, famous for lending his name to the Harrod-Domar family of macroeconomic growth models, he has also made significant ventures into the history of economic thought and economic history. For example, it was through Domar that western economists generally became familiar with the work of the Soviet economist G.A. Feldman, who pioneered two-sector growth models in the late 1920s. And it would be true to say that Domar's more theoretical contributions have always been designed with a clear focus upon practical implications and policy needs.

This book comprises a selection of Domar's essays over twenty five years. The book's first chapters deal readably with broad issues of capitalism versus socialism. Most accessible to the noneconomist, these essays exemplify the power of simple economic theory, which is however only a weak or sceptical power to challenge conventional propositions about how the world works, not the strong, independent power required to validate practical conclusions and prescribe action or inaction. This does not inhibit Domar from some simple generalisations of his own, chapters 1 and 2 suggesting that maybe all is for the best in the best of all possible worlds, which is a capitalist one. But in chapter 3, which is the most penetrating in the book, Domar deals originally with the contrasting situation of producers and consumers in the US and Soviet economies and shows how and why the Soviet firm and its members have found security and power over the consumers of its output, and with what consequences for the meaning of international welfare comparisons.

There follows the most substantial section of the book; this is devoted to the measurement and comparison of economic growth, east and west, including the concepts of partial and total factor productivity, the relative merits of different kinds of index numbers of real output, and problems of translating theoretical magnitudes into empirical statistics which have the same meaning from within quite different national economic and statistical systems. One of Domar's major concerns is with the conventional result that measured Soviet total factor productivity (TFP) is much lower than that of the OECD countries. This follows almost automatically from (a) the fact that measured Soviet labour productivity is also lower, combined with (b) a net-output approach to the production function which minimises the role of capital in economic growth and neglects altogether the role of material inputs. Together these mean that any country's measured TFP is bound to be closely tied to its labour productivity.

Domar's theoretical bent is also represented by two well known essays on 'The Soviet collective farm as a producer cooperative' and 'On the optimal compensation of a socialist manager'. The former showed that, from the standpoint of allocative efficiency, the cooperative farm was not without merit, but a restriction on hiring and selling labour reduced its attractions. The latter was noteworthy for its stress, surely of great relevance today, on the idea that a major problem for the public sector of a relatively decentralised economic system would be monopolistic competition; managerial rewards should be designed to encourage managers not to realise the enterprise's market power to raise prices and profits while restricting sales.

Economic theory also informs three essays on the conditions under which American slavery and Russian serfdom rose and fell. Here we see displayed again the weak power of relatively simple economic theory - the power to overturn conventional

explanations of relatively complex historical events, but not necessarily to explain the same events in a way which is itself both convincing and simple.

This is an interesting and useful collection, unified by the role of economic theory applied to the comparison of real economic systems and explanation of real historical events, which librarians will find hard to shelve in the right place.

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