

tive account nonetheless contributes to the ongoing debate over the sources of foreign-policy change in the last great empire of the twentieth century.

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*Structural Adjustment without Mass Unemployment? Lessons from Russia.* Ed. Simon Clarke. Northampton, Mass.: Edward Elgar, 1998. xiii, 355 pp. Notes. Bibliography. Index. Figures. Tables. \$95.00, hard bound.

Why does high labor mobility in Russia not yield successful industrial restructuring? This is considered a major puzzle, and it is a prime issue in the debates among labor economists concerned with developments in postcommunist countries. Indeed, Russian labor market turnover (hirings and separations) in industry from 1993 to 1996 was about 50 percent annually, according to Goskomstat data, up from 14 percent during the Soviet era (1989), and higher than in the economies of eastern and western Europe. Nevertheless, in terms of structural adjustment, Russia is widely believed to lag behind the countries of eastern Europe.

Three major explanations are discussed in the book. The first one (advanced by the World Bank team led by Simon Commander) assumes that Russia's high labor mobility is similar to shooting blank cartridges: *job* mobility (i.e., the sum of job creation and job destruction), as opposed to *labor* mobility, remained relatively low compared to other countries, including Poland in the first years of reform (1990–1991). Rostislav Kapelushnikov, in his article "Job and Labour Turnover in the Russian Industry," in *Russian Economic Barometer* (1997), describes this model of the labor market as one in which "running hard in the same place" does not result in a new, more efficient employment structure. World Bank economists blame soft budget constraints and insiders' control of Russian enterprises for the unwillingness to restructure and lay off workers and regard the relatively low levels of unemployment in Russia as the result of labor hoarding. Such an interpretation, however, does not explain why high labor mobility coexists with low job turnover—why workers change jobs quite often, but the number of employees at enterprises remains relatively stable, so that little restructuring is taking place. Besides, as Simon Clarke argues, Russian labor market rigidities were virtually eliminated by liberalization and no longer provide any impediments for economic reform. Insiders' control cannot a priori be considered as a labor market imperfection—Chinese worker-controlled enterprises (coops and TVEs) do not appear to hoard labor.

The second theory was developed primarily by Richard Layard and his colleagues and endorsed by the Organization for Economic Cooperation and Development (which Simon Clarke calls "the prime exponents of the labour market flexibility" (48). The theory states that the Russian case is the example of successful structural adjustment without mass unemployment establishing the basis for an economic miracle. Not many economists, however, would subscribe to this optimistic view.

Finally, the third interpretation is that of Guy Standing (International Labour Organization), who has conducted Russian Labour Flexibility Surveys and reports the latest results in chapter 3 of the book. He stresses that the costs of the Russian transition come in the form of hidden unemployment (work stoppages, employees on "short time" or administrative leaves, etc.) and result from too much, rather than too little, flexibility which encourages deskilling and discourages investment. Simon Clarke embraces this view but has reservations about its policy implications, and he considers inappropriate Standing's suggestion that hidden unemployment should be transformed into open unemployment.

The major topic of the book, however, is the diagnosis of the disease, rather than policy implications. This work provides a lot of evidence that the orthodox model of structural adjustment based on the liberalization of labor markets does not work. I agree with this conclusion, but I have some reservations about the third interpretation because it does not really capture the crucial missing link between high labor mobility and (the lack of)

restructuring. In Russia, why does more than 70 percent of total labor turnover occur in the form of seemingly senseless mobility between low-wage jobs in low- or non-profitable enterprises whereas in Poland in 1990–91 this figure was 55 percent and in western countries, especially the United States, it is even lower? My answer suggests a fourth interpretation for Russia's high labor market flexibility, which is no more than a hypothesis, but which is unfortunately not discussed in the book: huge labor mobility in many, if not most, cases is driven by nonwage incomes that originate in the shadow and grey economy and today constitute close to half of all personal income—an exceptional level for transition and market economies alike. The share of wages in total monetary personal incomes fell from 74 percent in 1990 to 40 percent in 1995, whereas the share of entrepreneurial incomes increased from 13 percent to 44 percent. For this reason, the ratio of the average wage to per capita gross domestic product, which in other countries is normally close to 100 percent, was only 60 percent in Russia in 1994 (Vladimir Popov, "Will Russia Achieve High Economic Growth?" *Communist Economies and Economic Transformation*, 1998, no. 4: table 8).

It is well known that most of the nonwage incomes are "black" and "grey," since the only rationale for nonwage remuneration is too often the willingness to avoid social taxes (calculated as a percent of the wage) and the tax on excess wages that existed before 1996. Once nonwage secondary income becomes more important than wage income, people choose to move to another job with perhaps a lower wage, but with more opportunities to be engaged in secondary activities (more free time, for instance). It is thus secondary nonwage incomes that explain the bulk of this seemingly irrational labor mobility, not to mention incomes that are not registered by the official statistics at all, such as incomes of shuttle traders, racketeers, and so on.

Hence, as in other areas, Russian structural adjustment in the labor market occurred in not quite predictable and in "non-conventional," if not to say perverse, forms. Russian enterprises reacted to monetary restrictions by accumulating arrears and by shifting to barter trade, while the response of the Russian labor market to liberalization was the tremendous increase of labor mobility, which is not immediately associated with relative efficiency and relative wages.

This book sees "macroeconomic rather than institutional factors" (94) as the cause of Russia's labor market problems and, more broadly, the Russian recession. I would argue the opposite.

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*Soviet Defense Spending: A History of CIA Estimates, 1950–1990.* By Noel E. Firth and James H. Noren. College Station: Texas A&M University Press, 1997. vi, 291 pp. Appendixes. Notes. Bibliography. Index. Figures. Tables. \$49.95, hard bound.

Sponsored by the Central Intelligence Agency's (CIA) Center for the Study of Intelligence, this history of the CIA's estimates of Soviet military expenditures releases selective data from classified CIA files, but the production estimates and prices used to make those estimates remain undocumented. Noel E. Firth and James H. Noren provide new numbers for military expenditures that differ from prior CIA estimates. For example, there now are five CIA figures for military expenditures in 1970, ranging from 6 to 14 percent of gross national product (GNP). The CIA's estimates for military procurement in 1970 range from 5 or 6 billion to 26 billion rubles. Nevertheless, the authors claim that the CIA's Strategic Cost Analysis Model (SCAM) accurately measured Soviet military expenditures at 14 to 15 percent of GNP from 1957 to 1990.

The chief of the Soviet General Staff, however, reported that the military's share of GNP was one-third (or more) by 1991, which is supported by statements from many other senior officials from Mikhail Gorbachev on down, and by official Soviet statistics. In fact, the CIA consistently underestimated Soviet military expenditures and the military's share