

why surplus funds were sent abroad. Or it can be that outside rate of return being higher Japanese investors opted for investment in the rest of the world. In other words what was the motive force behind outflow of capital has to be analyzed properly. U.S. pressure for liberalization is a partial answer and it makes outflow of capital just a feasible proposition. Actual flow of capital outside ought to have some other explanation.

Then once capital starts moving out on a large scale, it creates extra demand for other national currencies and hence Yen should depreciate. This depreciation should lead to current account surplus. To restore balance, capital account should again move into deficit and the process continues. But why should outflow of capital increase in order to keep pace with current account surplus in the face of, say constant outside rate of interest? Here change in international component of monetary base, changes in money supply, domestic interest rate and price level have to be integrated with the analysis. In the absence of any such theoretical probe the study becomes an example in banality.

Apart from macroeconomic considerations, the book bypasses some important facts about reality also. The list of countries receiving Japanese capital inflow has been faithfully prepared but the question that why certain countries were selected and others left out is never gone into detail. Yen aid to India has been elaborately dealt with in the sense that composition and sectorwise allocation have been fully discussed. What serves as the basis for aid is the question which has never been gone into depth. Is it trade? The countries which happen to be major trade partners of Japan might be largest Yen aid receivers also. Suppliers credit to exporters might account for a large part of aid. Again do the countries receiving large percentage of Japanese aid become automatic claimants to flow of Japanese direct investment or portfolio investment? If not, what accounts for the non-synchronization? The questions that have been raised above are by no means something extraordinary. The fault lies with the design of the book. Lot of information has been incorporated in a haphazard fashion without attempting to analyze them. The result is we get a running commentary on fast track. The economic reality behind Japanese financial surplus never comes out, it remained shrouded in veil.

Gokhale Institute of Politics and Economics,  
Pune

Smriti Mukherjee

*India's Exports - An Analytical Study, Sugata Marjit, Ajitava Raychaudhuri, Oxford University Press, New Delhi, 1997, pp. 179, price Rs. 350.*

Before we start discussing the contents let us pose one simple question : what is one's expectation from a book with the above mentioned title? Well, it could be anything relating to trend in aggregate exports, commodity composition and concentration, geographic distribution, depreciation, recent policy changes and to cap it all one model of export trade sector. The reader is totally mistaken. The volume contains most up to date works, both theoretical and empirical, carried out in India and abroad. Themes selected have a classic fragrance also: microfoundations, macrofoundations, export performance in most analytical fashion, etc. If one thinks of a step function, the present study belongs to a step considerably higher than earlier ones.