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PREFACE

International monetary relations arise and develop from commercial, industrial, political, scientific and technical, cultural and other connections, i.e. from the whole set of relationships established between sovereign states. The paths of their future evolution are predetermined on the one hand by peculiarities of the development of the national economies, and of their monetary and financial systems, and on the other by the general state of world economic relations, features of the organisation at any moment of the system of the international division of labour, and the external economic and monetary policy of the countries concerned. The development of international monetary relations, moreover, has a very direct bearing on many important aspects of the affairs of the world community as a whole.

The existence in the world of two opposed socio-economic systems (socialist and capitalist) also causes the coexistence of two types of international monetary relations, and of two monetary systems differing in principle from one another, i.e. two historically established and legislatively enacted forms of organisation of money circulation and credit that are developing according to their own inherent, independent laws, yet are nevertheless chief links in a common chain of international foreign exchange, financial, monetary, credit, and settlement connections.

In the words of Lenin, founder of the Soviet state, the close interconnection of these two systems is due to the fact that "there is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is world general economic relations".[1] Historical experience demonstrates the lack of perspective and hopelessness of any attempts to disrupt this relationship artificially. As for the radical differences between the two monetary systems, they are predetermined by the general patterns of development of the two socio-economic systems.

A whole literature has come into being over the past two decades, as a matter of fact, devoted to the international foreign exchange, monetary, credit, and financial relations of the socialist and capitalist countries, and to study of the many problems connected with them. A whole army of economists is constantly at work on these problems in socialist, capitalist, and developing countries, since inquiry into one of the most complicated spheres of international relations calls for interpretation of a very broad range of matters of a political, economic, historical, social, cultural, organisational, and technical order. But works that make a comparative analysis of the two types of system are extremely rare, and those which have appeared in recent years have been limited as a rule to investigation of separate elements of the monetary and financial mechanism, and of certain trends in the development of international monetary relations.

At the same time the late 1970s and early 1980s have been marked by major changes in both the internal structures and mutual relations within the socialist and capitalist monetary systems and the character of the links established between them. The latter have been conditioned by the further development and deepening of the whole aggregate of commercial and economic, scientific and technical, cultural and other ties between socialist and capitalist countries, mediated by monetary, credit, and settlement arrangements—a process that undoubtedly calls for further illumination and thorough comparative analysis. Its topicality is all the greater since monetary relations, being to some extent derivatives of the general state and level of the two socio-political systems' economic relations, have for their part an increasing influence on systems' rates and paths of development.

Over the past decade, too, following the collapse of capitalism's monetary system created in 1944 by the Bretton Woods agreements, there has been a marked strengthening of demands, mainly from developing countries, for its cardinal restructuring. At the same time there have been more and more attempts by the small group of leading imperialist powers, whipped on by their unrestrained drive to maintain and further consolidate their positions, to get "reforms" that would guarantee them a one-sided advantage at the expense of all the other members of their monetary system. This all shows up in their unprecedented enslavement of developing countries, in the credit war launched against socialist countries, and in their use of banks and a whole number of international financial institutions to satisfy their political ambitions of the moment (of an obvious great-power hue). The efforts of the socialist countries to develop and consolidate international monetary relations of a kind based on progressive, democratic principles stand out against this background, efforts that find expression in constant improvement of the mechanism of their monetary relations both with one another and with third countries, on principles of equality, mutual benefit, and maximum allowance for the interests of all involved. The proposals repeatedly moved by the Soviet Union at the United Nations to review the organisational principles of the whole set of international economic relations are convincing evidence of this approach.

In the present complicated international situation, characterised by the drive of American imperialism and its political satellites to push the world to the brink of a new world war, the Western capitalist mass media are trying, on the one hand, to distort the character of socialist countries' monetary relations, disparage their achievements, and exaggerate the difficulties that inevitably arise when a monetary system based on equality and mutually beneficial co-operation is being formed, and on the other hand to embellish the monetary system of capitalism, and to gloss over its exploiter essence and the antagonistic contradictions between the imperialist powers that are undermining it internally, while canonising the system of relations based on the US dollar as the sole allegedly possible, and most co-ordinated, harmonious mechanism for organising modern capitalism's monetary relations.

We therefore see it as our task, in this book, to demonstrate clearly, on concrete examples of the past decade, the frankly exploiter essence of the capitalist monetary system, to bring out and analyse the defects that are eroding it, compared with the progressive evolution of socialism's system, which is a truly democratic, alternative solution of the organisation of world money circulation and credit. In our book we have paid special attention to a principled analysis of present-day Western capitalist and reformist conceptions of international monetary relations, of what has been achieved in developing the monetary system of socialism, and of the crisis phenomena in the capitalist monetary system. The structure of our book has been largely determined by that.

In the first two chapters, apart from the introductory one, we analyse the basic laws and characteristic features of the formation and development in recent years of the two "poles" of international monetary relations, viz., the capitalist and socialist monetary systems. In the third chapter this parallel is given final, concrete expression in a comparison of the principal differences between the chief links of these two systems, viz., the banking systems of the Soviet Union and the United States, and their aims and tasks. Finally, the concluding section of the book is devoted to problems of the quest for ways of further restructur, ing international monetary relations in the West.

The Marxist-Leninist theory of money, credit, and banks defines the monetary system as an aggregate of money and credit relations, their forms and methods of organisation, and banking and other credit institutions. In contrast to capitalist society, in which banks are a powerful instrument of expansion in the hands of the financial oligarchy, promoting its enrichment, banks function as conduits of new monetary and financial relations in a socialist economy, so promoting realisation of a progressive economic policy in the sphere of money, credit, and finance, further rise of the productive forces of socialist society, and the moulding of communist relations of production. Since the banking system, under socialism, organises, plans, and regulates money circulation and emission and payment operations over the whole country, it quite legitimately becomes the mechanism for direct realisation of the main economic, scientific and technical, and social and cultural tasks facing the economy.

Along with a highly developed banking system and planned organisation of money circulation, credit wholly retains its significance for economic development under socialism, regulation of general economic growth rates, and maintenance of the necessary proportions in the development of its separate branches. Unlike capitalist loans, which are a source for finance capital to make monopoly high profits, and serve the purpose of depriving borrowers (debtors)—be they individual citizens or sovereign states—of economic independence, credit relations under socialism are characterised, above all, by the aggregate of the reciprocal interests of all the parties involved in the economic relations that arise between the socialist state (in the person of banks), on the one hand, and industrial, co-operative, and collective-farm undertakings and organisations, and the public, on the other hand, with the lending of funds for temporary use on conditions of a limited term, repayment, strict use for the purpose lent, and payment of interest on loans already granted. Credit is used, first of all, to form fixed production assets and current assets of organisations with their own profit-and-loss balance sheets, to expand industrial and farm production, improve quality of output, and promote the most effective, thrifty expenditure of the economy's materials, labour, and financial resources.

In the sphere of external economic relations socialist credit promotes (a) planned fulfilment of long-term, special purpose programmes for the specialisation and co-operation of production among the socialist countries, (b) the granting of economic and technical aid to developing countries to help them set up, reconstruct, and successfully develop their economies, and train skilled national cadres, and (c) expansion of foreign trade and scientific and technical ties with industrially developed capitalist countries.

A principle of the monetary system of socialism is the state monopoly of foreign exchange, which envisages concentration in the hands of socialist banking institutions (as authorised agencies) of all the country's foreign exchange and other monetary resources (noble metals, etc.) so as to use them in a planned way in accordance with economic and social development plans. Practical realisation of the foreign trade monopoly became possible on the firm foundation of a national foreign exchange monopoly, effective control over the realisation of all types and forms of international settlement, transactions in foreign exchange and other monetary resources, and steady growth and consolidation of economic relations with foreign countries. In capitalist countries, in conditions of "free competition", monetary relations and the use of international credit are of essential speculative character, giving rise to regular tidal flows of capital from country to country, taking fluctuations of exchange rates and balance of payments deficits into account, and so promoting unrestrained inflation. As a result, as is easily traceable from examples of the past decade, there have been chronic exchange crises, sharply aggravating all the contradictions of the capitalist monetary system, and yielding extra profit for a small group of monopolists, a lowering of the real standard of living of the bulk of the working people, and uncontrolled growth of international indebtedness, which has given increasing grounds of late to speak of an international credit crisis.

Another difference in principle of the monetary system of socialism is that a socialist country's economy relies on its own resources and possibilities in its development, with the system's direct, active involvement, employing monetary relations with foreign countries only as a supplement helping improve the economy's efficiency as a whole, but in no way determining its rates and paths of development; the size of a socialist country's national income, the volume of its domestic capital investment, export capacity, and scale of national production immeasurably exceed the relative weight of loans obtained from other countries, and of foreign trade, in its gross social product. That was what enabled the Soviet Union to change in a very short time from a debtor-country to a creditor-country, while maintaining and increasing its significance as a trading partner on the world market and without market-determined and speculative fluctuations of the development of its own economy; it has also helped the USSR effectively to counter the attempts of several imperialist powers to exploit international monetary relations as a means of economic and political pressure.

International financial organisations like the International Bank for Economic Co-operation (IBEC) and the International Investment Bank (IIB), founded on a democratic, equal basis, are being actively employed in the socialist monetary system to develop international monetary relations. In all their business these banks are promoting effective pooling of the socialist countries' efforts to employ monetary levers to extend fruitful co-operation to integrate their national monetary systems, to improve the efficiency of specialisation and co-operation in industry and agriculture, to develop the economies of each of them harmoniously, and to ensure continuity and balancing of accounts between them. In contrast to these banks, the international financial institutions of contemporary capitalism—the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD or "World Bank"), the Bank for International Settlements (BIS), etc.—primarily defend the interests of the chief imperialist powers, to the detriment of the national sovereignty and economic and financial independence of the other member-countries. The biggest capitalist countries, primarily the USA, which *de facto* control the practical business of these organisations, endeavour to use them to implement their own economic expansion and satisfy their great-power, hegemonist aspirations.

The problem of use of gold in international settlements is directly linked with these matters. The capitalist countries, seeing it as an obstacle to unlimited scope for speculation and a threat to the very existence of "free competition", have made repeated attempts to exclude it from the sphere of international monetary relations, to substitute the American dollar for it, and subsequently various kinds of artificially created units of account. The natural result was collapse of the Bretton Woods system, which existed for nearly three decades. The course of events since has more than once confirmed that every determined action undertaken jointly by several countries has been powerless to alter or abrogate objectively operating economic laws. The socialist monetary system, on the contrary, continues steadily to be guided by Lenin's pointer about the role of gold in international settlements, and the need to build up gold reserves and employ them rationally. Minimum use of gold as a means of payment for imports and services is made possible by full use of the advantages of current and long-term planning of economic development as a whole. But when exports have to be sold on the capitalist market, with its inherent anarchy of supply and demand, and unpredictable fluctuations of prices and many other factors, it became necessary to use gold as world money (when it was not possible to cover additional payments for imports by above-plan export receipts). In those cases, however (in contrast to capitalist countries which use sales of gold mainly for speculative purposes), the Soviet Union, which is one of the leading gold producers, sells the metal on foreign markets exclusively as a commodity exported so as to balance its foreign accounts.

The monetary, foreign exchange and financial relations established within the monetary system of the socialist community are essentially different; they are based on the socio-economic uniformity and community of interests of the member-countries, and on principles of proletarian internationalism, full equality, mutual benefit, and fraternal mutual help and co-operation.

We shall try to show the advantages, with concrete examples and facts, of the monetary system of socialism over its capitalist antipode, and to demonstrate the propagandist character of claims that the monetary relations of present-day capitalism are "ideal" and "irreproachable", counterposing to them the socialist countries' experience of organising such relations.

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Moscow, 1986

INTRODUCTION

THE ANTAGONISTIC UNITY OF THE MONETARY SYSTEMS OF SOCIALISM AND CAPITALISM IN WORLD ECONOMIC INTERCOURSE

Given the global scale and character of the economic competition of the two opposing world systems, there are all the premisses for development of active economic relations between countries with different social systems. To realise these premisses it is necessary to provide the conditions for forming and developing a diversity of settlements, monetary relations between them, in implementing which their monetary systems would closely interact. The interaction of diametrically opposite monetary systems in the course of world economic intercourse does not alter the economic nature or radical purposes and tasks of either of them, but it nevertheless does have a substantial effect on the whole range of these relations. With the socialist countries' broad involvement in trade and monetary relations with both industrially developed capitalist countries and developing lands, world socialism's influence on world economic relations as a whole, and on international monetary relations in particular, has ceased to be limited to the attraction of their example of the establishment of these relations on a really equal, mutually profitable basis between themselves. International economic and monetary relations are being increasingly influenced by socialist relations of production, through the positive influence of socialist countries' involvement in them as active partners, and are becoming a derivative form of the two types of production and intergovernmental relations (antagonistic in their opposition) inherent in the socialist and capitalist social formations.

Socialist countries have invariably developed and consolidated mutually profitable economic relations, and the appropriate monetary relations, with all groups of countries, irrespective of their socio-economic nature and political orientation, and continue to do so. At the same time mutual relations in the monetary sphere with each of the groups of countries (socialist, industrially developed capitalist, and developing countries) have essential features that allow us to speak of three corresponding types of these relations. While having a single underlying strategic line—a consistent, principled one of the fraternal socialist countries in the realm of domestic economic policy and international relations, and similar organisational features and technical equipping—all three types of monetary relations with foreign countries have specific features, and corresponding differences proper to them only.

The development of reciprocal relations has a leading place in the system of the socialist countries' international monetary relations, and likewise in their whole system of external economic relations. It takes the line of socialist currency integration, a deepening of comprehensive credit co-operation, permeated by a spirit of socialist internationalism, and harmoniously combines each country's interests with those of the socialist community as a whole.

When the socialist countries develop monetary and financial co-operation with developing countries in Asia, Africa, and Latin America, they encourage consolidation of those countries' economic independence, and ease restructuring of their domestic and external economic relations on progressive, democratic principles.

The members of the socialist system of economy, by virtue of their internationalist nature, and consistent line of developing comprehensive economic co-operation, invariably try to consolidate business ties with countries of the opposite social formation. They have a deep interest in that. "Under socialism," Lenin remarked, "the working people themselves will nowhere consent to seclusion merely for . . . purely economic motives."[1]

The organisation of monetary relations and international settlements with industrially developed capitalist countries decides a dual task. On the one hand, it has to promote extension and consolidation of co-operation on the Leninist principles of equality, mutual benefit, and respect for the partners' sovereignty. On the other hand, it has to defend the independence of their development, fence them off from the negative effects of spontaneous fluctuations of capitalist market conditions, foreign exchange speculation, and imperialist powers' constant attempts to damage development of their home economies and external economic relations by monetary and financial machinations.

The socialist countries always attach great importance to the development of trade and economic relations with industrially developed countries, above all with those that show an interest in establishing business ties with them on a stable, long-term basis. They consider co-operation with capitalist countries not just from the economic angle (as mutually beneficial trade and scientific and technical exchange) but also as an important factor encouraging an atmosphere of confidence and trust between countries with different social systems in the spirit of the Final Act of the Helsinki Conference, and as an active factor strengthening world peace and international security.

Monetary relations and settlements with these countries are built on the traditional forms of international custom. The US dollar, deutsche mark, pound sterling, and several other convertible currencies are most commonly used in settlements.

The central and foreign trade banks of socialist countries exercise constant control over the promptness of foreign exchange receipts and payments stemming from their obligations, and over maintenance of the most rational structure of currency reserves, allowing for the need to defend their own monetary interests against the unfavourable effects of spontaneous fluctuations of foreign exchange rates.

In order to ensure prompt payments, full protection, and maximum yield on reserves of convertible currencies, and also to maintain a rational structure of these reserves, socialist banks carry out various transactions in them, buying and selling them on the international markets, attracting and placing deposits, and so on. These transactions are made exclusively to meet the objective needs of external economic relations and do not have the speculative character peculiar, to a considerable extent, to the currency operations of capitalist banks. The efficiency of these transactions of socialist banks is highly esteemed on the markets in caption, as is indicated by the fact that the biggest commercial banks of the world are among their regular clients.

At today's stage, which is characterised by a transition to large-scale economic co-operation, long-term credit relations with foreign countries are becoming increasingly significant.

Socialist banks both advance and obtain long-term bank credits, in accordance with accepted practice; the credits are an effective instrument for promoting growth of international trade and economic exchange.

The socialist banks have not been able to establish monetary relations with all capitalist countries, we must note, on terms ensuring normal development of trade and business ties on principles of equality and mutual profit, absence of discrimination, and non-interference in the internal affairs of foreign countries. In the late 1970s and early 1980s imperialist circles in several countries made persistent attempts to impose discriminatory conditions on the USSR and other socialist countries in regard to monetary relations, to apply various sanctions, and even to organise a foreign exchange and credit blockade of them.

These were not the first such efforts: in the past they invariably ended in complete defeat of the opponents of peaceful co-operation of countries, be it economic blockade of the Land of Soviets by the Entente countries, the blockade of the USSR in the period after the defeat of fascist Germany and Japanese militarism, or the Reagan's Administration's "sanctions".

Credit and financial terms are of great importance for the development of international trade and economic exchange. The availability of proper financing for the necessary periods, and on favourable terms, is highly important for extending co-operation between both countries and individual firms and organisations. Its absence, on the contrary, or its granting on non-competitive terms, puts serious obstacles in the way of external economic exchange. That is an objective view, held by business circles; the development of trade and business ties between socialist and capitalist countries is no exception to it.

This point can be illustrated by the following figures from the example of the Soviet Union. During the period from the early 1960s (when credit relations began to be developed between the USSR and Western countries) to the present day, the volume of Soviet trade with those countries has increased more than 20-fold, while the USSR's total trade rose by a factor of roughly 12 or 13 in the same period. That was helped, to no small degree, by the existence of agreements on financing purchases of machinery and equipment at both intergovernmental level and on a bilateral or multilateral interbank basis. The lending to the pur-