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## INTRODUCTION

The socialist transformation of the world begun by the October 1917 Revolution and the construction of a new society in the USSR assumed a particularly great scale following the Second World War. As a result of the defeat of German fascism and Japanese militarism, a rise of the revolutionary and national liberation movement, and triumphant socialist revolutions in the countries of Europe, Asia, and on Cuba, socialism began to develop as an international system. International relations of the socialist type came into being, and the socialist commonwealth of nations linked by a community of basic class interests and by proletarian solidarity took shape. As the world socialist system evolves overcoming the contradictions inherent in this process, the balance of forces on the international scene changes and the impact of socialism on the destiny of world civilisation increases.

The objective process of the formation of the international system of socialist states has profound political and economic roots--the unity of class interests and goals, as well as growing community and interweaving of many aspects of economic activity. A new system of the international division of labour and exchange based on public ownership of the means of production and voluntary planned cooperation of socialist states is taking shape in the world of socialism. The socialist world economic system is gradually consolidated here, a system that forms the economic

basis of the political consolidation of states developing towards socialism and communism.

As a result of growing internationalisation of the economic life of the socialist nations and the development of international socialist production relations, national economic systems increasingly complement one another. It has become necessary to maintain a balance on an international scale between the production and consumption of an increasing number of commodities. The range of problems which each socialist country finds it difficult to solve on its own but which can successfully be solved by joint effort is extended. In short, a certain community of the economic life of the socialist countries emerges, a community characterised, among other things, by the existence of a number of economic proportions, common economic and production organisations and institutions, and an international market of its own. The birth of this community is a sign of the formation of the socialist system of world economy.

The socialist world economic system takes shape as the necessary premises mature; it develops, changes its forms, acquiring new properties and passing through various stages. The general tendency of this development was revealed, by a stroke of genius, by Lenin, who wrote that the socialist movement "creates new and superior forms of human society, in which the legitimate needs and progressive aspirations of the working masses of *each* nationality will, for the first time, be met through international unity, provided existing national partitions are removed".

Foreseeing the emergence of a world cooperative of the peoples, Lenin wrote of the "tendency towards the creation of a single world economy, regulated by the proletariat of all nations as an integral whole and according to a common plan. This tendency has already revealed itself quite clearly under capitalism

and is bound to be further developed and consummated under socialism".<sup>2</sup>

It is clear from these statements that Lenin's conception of the world economy of the socialist type was linked with the attainment of a definite international unity of the economic activity of various countries, and with close cooperation, regulated according to an overall plan, in satisfying their needs and interests. The features which Lenin pointed out are undoubtedly necessary for the emergence of the world economic system. However, the degree of development of the economic unity and cooperation of the countries cannot but differ, and does differ significantly, at different stages of the development of world socialism. The form of the world socialist economic system as described by Lenin, with a single overall plan and without any national partitions, can at present be regarded only as a thing of the future.

What is the present socialist world economic system as an object of politico-economic analysis? Its essence has been variously described in literature. Some authors are more inclined towards a broad view of this system as the totality of all the socialist national economies and their interconnections, whereas others interpret it in the narrower sense of a historical form of the international organisation of production, that is to say, primarily as a totality of international economic relations. Attempts are also made to synthesise the two positions. It is asserted, for example, that the socialist world economic system is a unity of domestic and international socialist production relations, a unity in which the role of the latter type of relations mounts steadily.

Clearly neither a one-sided emphasis on the unity of the domestic and international relations nor an



exaggeration of the relative independence of the movements of each subsystem of production relations--domestic and international--are justified.

The definition of the socialist world economic system and of the world socialist market as a mere totality of national economies and markets and their international links offers a somewhat distorted picture of the actual state of affairs. For example, if we are to accept the definition of market as a sphere of exchange (which is Marx' definition), we have to recognise the existence of largely independent spheres of exchange within the framework of the socialist world economic system--the national markets and the international market, i.e., the market of the socialist countries including the regional market of CMEA countries. Differences in the system of prices, clearing, organisation of exchange, and finally in the character of agents on the national markets and on the world socialist market are obvious enough and make it impossible to regard the latter as a mere agglomeration of national markets.

It would be an oversimplification to see the socialist world economic system as a sum of the national socialist systems retaining all the features of the individual constituent elements and differing from the latter only quantitatively. We deal here with a different structure having different properties and institutions. "We are convinced," stressed Mikhail Gorbachev at the 27th CPSU Congress, "that socialism can resolve the most difficult problems confronting it. Of vital significance for this is the increasingly vigorous interaction whose effect is not merely the adding up but the multiplication of our potentials and which serves as a stimulus for common advancement."<sup>3</sup>

Within the world socialist economy, at present

and in the foreseeable future there exist state and economic boundaries separating one national system of organisation of planning and management of socialist economy from another, one system of material and technical servicing, trade, finances, and money circulation from another system. For this reason, the economic unity of the socialist world system is achieved in a variety of ways over a comparatively long period. It is a unity of separate economic systems developing on the basis of state independence and complete sovereignty. Their integration is not accompanied by a loss of political independence of the constituent elements. Other things being equal, the socialist world economic system therefore differs at present from the national systems in lesser organisational and economic unity of the component elements and links.

The necessary unity is achieved solely on a voluntary basis, through the Marxist-Leninist internationalist policy of the socialist states aimed at the development of friendship, cooperation and mutual assistance. It is ensured by promoting and perfecting international production relations. Clearly, these relations are possible providing there is a sufficient level of development of productive forces, concentration and differentiation of production, technological interlinkage of a certain part of the production mechanism of the given countries, and maturity of the production relations within the states.

The most important aspect of the socialist world economic system is the subsystem of international socialist production relations, as well as a special mechanism of implementation and organisation of these relations. This subsystem is a definite historical type of international organisation of production and exchange based on the principles of collectivism, socialist solidarity, joint planned regulation, and in-

ternationalisation of economic life.

The development of the socialist world economic system is secured by a combination of extensive modes of growth (involvement of new socialist countries in the system of the international socialist division and cooperation of labour, and purely quantitative expansion of traditional forms of cooperation) and intensive ones, marked by the deepening and growing complexity of the economic interaction of these countries.

In these days, the importance of the world economic environment, that is, of the international production conditions under which the national economies of the separate socialist states is functioning, is rapidly growing. Hence the importance of defining the essence of these categories, their interaction and interlinkage with national economic systems. The socialist world economic system acts as a vital factor for accelerating the scientific, technological, and socio-economic progress of each socialist country and for improving its living standards. Being part and parcel of the world socialist system, it forms the economic basis of its unity and cohesion.

A study of such a complex and many-faceted organism as the socialist world economic system naturally requires the singling out of its structural elements and subsequent identification of their interlinkage and subordination. Various aspects of international socialist production relations forming in their totality a definite subsystem are considered here. Below we list some of these structural elements:

the international socialist division of labour as a special form of territorial division of social labour; the international socialist cooperation of labour; international production-technological and

territorial-production complexes; an international production infrastructure;

levels of international production relations and economic laws expressing their essence; specific manifestations of various structural parts of socialist property in the international sphere;

a system of commodity exchange and clearing between socialist states, the world socialist market;

the international and intrastate organisational and institutional mechanisms of development of production relations between socialist states, and of exploitation of the economic laws of socialism;

the international mechanism of economic and political collaboration.

Naturally, the socialist world economic system's structural elements do not develop all at once. The economic cooperation underlying the unity of its economic life is established and consolidated gradually over several decades, going through various stages.

The socialist world economic system exists together with the world capitalist economy with which it maintains various commercial and economic contacts. Differences in their socio-economic systems are not an obstacle to mutually advantageous trade and cooperation between socialist and capitalist states. The world division of labour, the process of internationalisation of production and exchange involving all countries regardless of their social structure is the objective basis of these ties. The world economy as a dialectical unity of opposites therefore continues to exist in a world divided into two opposite world economic systems. International economic relations of different social types--socialist, capitalist, and

transitional ones including elements of both--are interwoven in this world unity. A new type of international relations based on full equality and mutual advantage is being established in an acute struggle between socialism and capitalism within the framework of the world economy, in which the socialist states score impressive victories in the economic competition with capitalism.

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#### NOTES

- <sup>1</sup> V.I. Lenin, *Collected Works*, Moscow, Vol. 21, pp. 38-39.
- <sup>2</sup> Ibid., Vol. 31, p. 147.
- <sup>3</sup> Mikhail Gorbachev, *Political Report of the CPSU Central Committee to the 27th Party Congress*, Moscow, 1986, p. 88.

## CMEA ECONOMIC STRATEGY IN THE 1980s

Academician Oleg BOGOMOLOV

Devoted to an in-depth analysis and stock-taking of the rich cooperation experience, the CMEA Economic Summit held in Moscow in June 1984, set challenging strategic goals for the future and thus gave a powerful impetus to the further development of the theory and practice of socialist economic integration. A major step forward in the development of the international socialist division of labour the Summit mapped out the principal directions of the CMEA members' economic policy up to the year 2000 and advanced a programme for normalising world economic relations and assuring the constructive participation in them of the socialist countries. The Summit decisions represent a response to the new situation which emerged at the turn of the 1980s in the development of the CMEA members' economies and cooperation, and in the economic interaction of East and West. The changing conditions call for much more efficient production technologies and greater competitiveness of products. Although the situation differs from country to country, further economic progress of the socialist community has necessitated the adoption of resolute measures to achieve these goals. As a result, the targets and priorities of the socio-economic strategy for the 1980s and beyond have had to be adjusted.

The CMEA Economic Summit made intensification of production on the basis of modern technology the cornerstone of the CMEA economic integration strategy for the foreseeable future.

*A new situation has emerged in economic development and mutual cooperation.* The stage of economic development in which most European socialist countries now find themselves is best described as a transition from the predominant extensive economy of the past to modern intensive economy. The transition is a complex process. Suffice it to recall that the 1970s not only marked the end of cheap energy and raw materials but also a sharp reduction in the influx of additional labour. It is now much more expensive even to maintain the production of fuel and raw materials at previous levels, to say nothing of increasing it. And this despite the fact that the CMEA member-countries account for 10 per cent of the global population and up to 30 per cent of the world's electricity, oil, natural gas, coal and steel output.

So vast is the achieved volume of production that, in order to move forward, what is needed is retooling rather than physical growth. However, modernisation of the enormous production capacity, scientific progress and the industrialisation of agriculture also involve much greater spending than before. It is not surprising therefore that economic growth today depends almost wholly on raising labour productivity and improving rational use of the available resources. It is into this, new stage, that the socialist economy has entered, overcoming a degree of inertia.

The CMEA member-countries still face a number of consequences of an insufficiently intensified economy. Among these are the limited amounts of many resources, imbalances between production and consumption, the sphere of consumer goods included. In several CMEA member-countries agriculture and other branches of the agro-industrial complex, and also

the insufficiently developed economic infrastructure, especially transportation and storage facilities, remain among the principal bottlenecks. The fact that the quality, durability and reliability of a number of products are below world standards, along with the shortage of spares, makes it even more difficult to stock domestic markets to saturation. All this restricts the possibility of reinvesting in the economy and expanding consumption, and ultimately results in a slowing down of economic growth. Whereas in 1976-1980 gross industrial output in the CMEA member-countries went up on average 4.8 per cent annually, in 1981 and 1982 the figure was approximately 2.2 per cent. The socialist community has the necessary chief material prerequisites to attain their economic objectives. What is needed is to fully activate all of them.

Western observers hastened to describe these problems as "an economic crisis within the CMEA". Such conclusions are, however, nothing but an exercise in wishful thinking. In spite of the difficulties and the high costs of the intensification process (which had begun in the 1970s), the economy of the CMEA countries is more dynamic than that of the European Economic Community.

In 1971-1984 the national income of the CMEA countries increased nearly 1.9 times, against 1.3 times for the Common Market. This despite the fact that the last two years were hardly favourable for the socialist community. Nevertheless in 1983-1984 the CMEA countries largely succeeded in stemming the unfavourable trends in their economic growth and achieved a 3.8 per cent rise in the national income (for the whole group combined) in 1983, which meant doubling the 1982 index. In 1984 it was 3.5 per cent. The improvement was brought about by measures to save fuel and raw materials, eliminate bottlenecks in the economy, strengthen discipline and streamline the planned management mechanism. In a word, the so-



cialist economy has already begun energetically adapting itself to new, more rigorous conditions.

The time is also ripe for changes in economic cooperation between the CMEA members. The policy of socialist economic integration has already resulted in a sufficiently high degree of interaction of the national economies. The process can be illustrated by the value of mutual exchange of goods and services which represents on average over 18 per cent of the community's gross national income. Bulgaria, Hungary, the GDR and Czechoslovakia export from 30 to 40 per cent of their machinery and equipment to the CMEA market. It goes without saying that the extent of foreign economic relations and their impact on the national economies differ from country to country. However, for many of them further economic growth is now being determined by a faster-than-average rise in foreign trade and the scale of international production, scientific and technological cooperation.

The socialist countries are engaged in a number of joint projects the size of which has few parallels in the world: fuel carriers, power transmission lines, nuclear power stations, ore flotation mills, etc. In contrast to the European Economic Community, which has to import half its fuel from third countries, the socialist community supplies on its own 90-95 per cent of its requirements in energy and other vital raw materials. In 1981-1983, the Soviet Union delivered to fraternal countries 264 million tons of oil and oil products, 92 billion cubic metres of gas, 53 billion kilowatt-hours of electricity, 128 million tons of iron ore, and 19 million tons of mineral fertiliser. A supply of fuel and raw materials, guaranteed by long-term agreements and plans, is a considerable advantage in our days so full of surprises.

However, further deepening of the economic integration process in the 1980s and 1990s and steady high growth rates in mutual trade among CMEA countries