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### FINANCIAL AND CREDIT SYSTEM IN THE USSR

The terms "finance" and "credit" are current not only in socialist economy. They denote certain categories in capitalist economy as well. However, behind these outwardly similar terms there are absolutely dissimilar concepts, with a different nature and a different economic, social and political content, which are due to the disparity between the two economic, social and political systems--capitalism and socialism-- to the fundamental difference of socialist production relations from capitalist production relations.

In socialist economy, which is based on the socialisation of the means of production, on principles of planning that embraces all aspects of the economic life of the state--the functions and direction of the activity of the financial and credit system are subordinated to other tasks and purposes and have a different character than under capitalism.

The very existence of finance and credit in socialist society is due to the fact that commodity production and commodity circulation are retained under socialism, i.e., the first phase of communist society. In its turn, this is due to the following preconditions: inasmuch as under socialism there are two forms of socialist ownership (state and collective-- farm--co-operative) and also while there is personal ownership of the collective farmers over auxiliary husbandry, a mutual economic inter-relation inevitably arises both between these two forms of ownership and between them, on the one hand, and the population, on the other; this gives rise to a definite circulation of separate parts of the gross national product. Moreover, similar inter-relations also arise within the state sector of the national economy, i.e., between individual state enterprises. And since there are objectively necessary commodity relations then naturally, there must be a similar need for money as a universal equivalent or, in other words; the need for a monetary form of expressing the value of goods. Here money is (and this is of exceptional importance) a means of controlling the measure of labour and the measure of consumption, an instrument for measuring planned and actual expenditures, a means of socialist accumulation and savings of the working people, and so on.

From this we can already draw the basic conclusions on the necessity and tasks of finance and credit in a socialist state. Let us first examine the concept of socialist finance. It would be wrong to reduce this concept to monetary funds. In socialist economy, which is founded on the socialisation of the means of production, the concept of finance, the very essence of this concept, cannot be reduced to such a primitive, flat and treasury's, so to speak, formulation. It would mean emasculating the effective role of finance.

Under socialism, finance is not the monetary funds

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themselves but the aggregate of monetary relations embracing the process of the planned formation of monetary funds, the process of their distribution and utilisation and, lastly, the process of control over production and the distribution of the gross national product.

One of the basic tasks that is fulfilled by the system of socialist finance is the formation and purposeful utilisation of the monetary funds of enterprises and the state, which are necessary for the successful development of the economy. Through finance are formed the funds for compensating consumed means, funds for expanding socialist production, and consumption funds.

In the process of fulfilment of this distributive function and also in the course of systematic control over the utilisation of monetary means, the financial system helps to promote the planned, balanced development of the national economy. Control by the ruble over production finds its expression in the fixing of planned production costs, norms of working funds, wages funds and so forth. In the USSR, finance is an effective instrument for bringing to light and mobilising the internal resources of economy, an instrument for controlling the thrifty expenditure of intraeconomic accumulations.

In the USSR, finance influences social production in a variety of ways. Through the mechanism of finance, the state systematically strengthens economic accounting (khozraschet) and thereby promotes the most economic and expedient utilisation of production means, the reduction of the cost of output, and the profitability of production. It must be pointed out that finance influences such important aspects of the activity of enterprises as the organisation of production, the fulfilment of the estimate of expenses, the purchase of means of production, the utilisation of working funds and so on. To a large extent, finance predetermines the volume and branch structure of capital investments.

Finance plays <sup>an</sup> exceedingly important role in the implementation of measures aimed at developing socialist agriculture, building, transport and trade.

Without finance, it would be impossible, as we shall show later, to satisfy the social and cultural requirements of socialist society and the needs of state administration, and also to strengthen the country's defensive capacity.

With the concept of finance is linked up the notion of the various kinds and forms of finance and the methods of their action. In the USSR finance is subdivided into state finance (consisting in its turn of general state finance and of the finance of state enterprise) and finance of co-operative-collective-farm enterprises. The aggregate of kinds, forms and methods of accumulation and utilisation of the monetary funds of socialist society forms the financial system. The State Budget, through which a considerable portion of the national income is distributed, is the leading link of this system. The financial system also includes the finance of enterprises and branches of the national economy, of state social insurance, of state property and personal insurance and of state credit.

Let us now dwell on the essence and content of the State Budget, which is the principal financial plan of the socialist

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state. In the same way as Soviet finance cannot be regarded as monetary funds, the concept of the State Budget cannot be reduced simply to a schedule of state revenue and expenditures. Naturally, as any other budget, the socialist budget is built up in the form of a schedule of monetary receipts into a state centralised fund and expenditures for definite state purposes and measures. But the essence of a socialist budget lies not only in recording and balancing of revenue and expenditures established by the state. Here the crux of the matter is that the sources of the budgetary revenue and the methods of forming this revenue and also the purposeful direction of expenditures express definite economic relations preconditioned by the social and state system of the USSR. The resources of the Soviet State Budget, as we shall show later, are formed on the basis of a steadily developing socialist economy that creates the conditions for an uninterrupted growth of socialist accumulation. The resources accumulated in the budget, in their turn, are directed by the state towards ensuring the further development of social production and other requirements of socialist society.

The budget of the Soviet state is of a national-economic character, and is closely linked up with all branches of the national economy. The budgetary revenue is formed principally in the sphere of material production. Budgetary funds are used for financing capital construction and other requirements of the state.

Figures vividly show the tremendous importance of the State Budget and of the scale of its revenue and expenditures. I shall quote the main indices of the State Budget of the USSR for 1962: the revenue is established at 81,918,641,000 rubles and the expenditures at 80,369,904,000 rubles, the revenue exceeding the expenditures by 1,548,737,000 rubles.

The principles of the budgetary system of the Soviet Union are legislatively recorded in the Constitution of the USSR. The State Budget of the USSR is divided into the Union Budget and into the State Budgets of the Union republics. The budgets of the Union republics include the republican budgets, that are directly under the jurisdiction of the governments of the Union republics, and also the budgets of the Autonomous republics and the local budgets (regional, territorial, district, area, town, settlement and rural). The State Budget of the USSR also includes the state social insurance budget, which is under the jurisdiction of the trade unions.

Like the entire political life of the Soviet Union, the budget system is based on principles of democratic centralism. The organs of state power, beginning with the Supreme Soviet of the USSR and ending with the town and rural Soviet of Working People's Deputies have their own independent budgets. All the local Soviets are endowed with complete budgetary rights and have the corresponding financial base at their disposal. The independence of each organ of state power in the corresponding budget is combined with the unity of the state budgetary system, with its centralisation: the State Budget of the USSR as a whole is annually approved as a law by the Supreme Soviet of the USSR. This shows the organic community of interests and of end purposes of the entire Soviet state.

As is stated in the new Programme of the Communist Party,



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the budget will retain its important role in distributing the gross national product and the national income for the entire period of the fulfilment of the general tasks set by the Twenty-Second Congress. At present the State Budget of the USSR acquires exceptional importance as one of the major factors helping to create the material and technical basis of communism.

A considerable portion of the net income formed in the sphere of material production and accumulated through the budget is one of the principal sources of revenue of the Soviet budget. In the USSR 90 per cent of the budgetary revenue are received from socialist enterprises.

The revenue of the State Budget of the USSR is subdivided into receipts from socialist economy (including receipts from state enterprises and organisations; payments of the collective farms and co-operative organisations) and funds received from the population through its income and savings.

The receipts from state enterprises consist, in the main, of two forms of payment--turnover tax and deductions from profits. In order to give you a clear idea of the economic nature of these payments, it is necessary to state briefly what net income means under socialism. Everything that is created by the productive labour of members of socialist society has the purpose of satisfying the requirements of society and is used in the interests of namely these requirements. With the exception of that part of the product that is used to compensate for the consumed means of production, the gross national product is divided into two parts: one part is used directly for the personal consumption of the working people, and the other forms what is known as the surplus product or net income and is the property of the whole of society, being at its disposal and used as a source for satisfying various social requirements (the enlargement of production, public health, education, social insurance, defence, the formation of reserves, and so on).

The net income is divided into the net income of enterprises (profit) and the centralised net income of the state. A part of the net income of enterprises is accumulated--through the State Budget--in the centralised net income of the state; this is achieved by two methods and in the two forms mentioned above: in the form of the turnover tax and in the form of deductions from profits.

The receipts from the turnover tax are deductions of a strictly definite part of the net income of enterprises. The share of the turnover tax in the price of goods is determined by rates established in the different branches of industry and for various goods.

Another form of receipts into the budget from the net income of enterprises consists of deductions from profits, which comprise a major source of budgetary resources. The system of deduction from profits and the very procedure by which these deductions are received into the budget combined with a special analysis of the major indices of production have an organising influence on the entire economic and financial activity of enterprises, stimulating them to fulfil plans not only as a whole but also in the assortment of goods, the reduction of production costs and so forth.

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In speaking of deductions from profits, it must be stressed that a considerable part of the profits remains at the disposal of enterprises and are used for enlarging production, the formation of the funds of the enterprises with the purpose of satisfying diverse requirements of the people working in them, and so on. The formation of these funds is preconditioned by the fulfilment of the established plan (as regards quantity, the assortment of goods, quality, reduction of production costs and accumulation). The money from these funds is used for enlarging production and also for building and repairing dwellings, for improving cultural and everyday services to the staff, for bonuses.

The economic nature of the turnover tax and of the deductions from profits, as well as of their sources, is identical. These two methods of mobilising revenue from state enterprises spring from the need to use finance as an effective and flexible influence on economy with the purpose of fulfilling plans, strengthening "khozraschet", reducing production costs and enhancing profitability.

A portion of the budgetary revenue derives from the net income of the co-operative sector. A part of the accumulations formed at the enterprises in this sector goes into the budget in the form of the turnover tax and income tax on profits. It should be borne in mind that while absorbing a part of the net income of the co-operative enterprises, the state at the same time supplies these enterprises (at reduced prices) with raw and other materials, and equipment, and, consequently, participates in the formation of accumulations at these enterprises.

An income tax, computed on the basis of a single, proportionate rate is levied on the collective farms, and the fact that the rate does not progress with an increase in the income shows the stimulating character of this tax.

Other sources of budgetary revenue include funds from the population: taxes and dues, revenue in the form of a definite part of the increase in the deposits at savings banks, proceeds from the sale of loan bonds, deductions from the profits from state insurance transactions. From a characteristic of the role played by the budgetary revenue from enterprises, one can see that the revenue from the personal means of the population occupies a very insignificant place in the budget. The share of taxes in the State Budget of the USSR in 1959 only added up to 7.8 per cent. Indirect taxes which raise the price of consumer goods and, as everybody knows, are a heavy burden for the population, do not exist in the USSR. The taxes on the population are mainly income taxes on industrial, office and other workers and an agricultural tax on collective farmers; the agricultural tax is levied on income from personal subsidiary husbandry and not from earnings against work-day units. In May 1960 the Supreme Soviet of the USSR passed a law "On the Abolition of Income Taxes on Industrial, Office and Other Workers". Realisation of this law, which was begun on October 1, 1960, is to be completed by October 1, 1965. As a result of the complete abolition of income taxes, the income of the population will increase by approximately 7,400 million rubles by 1966.

Summing up the above-said about the revenue side of the State Budget of the USSR, special emphasis must be laid on the circumstance that with the rapid growth of the national income, socialist accumulation, which, as we have seen, is the main source.

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of budgetary revenue, is uninterruptedly increasing. The time is close at hand when, with the abolition of income taxes on the population, this will become the only source of revenue of the State Budget.

Let us now go over to a brief characteristic of the expenditures of the State Budget of the USSR. Here the chief place is occupied by expenditures on the national economy. The next major group of budgetary expenses consists of expenditures on social and cultural undertakings. The expenditures in these two channels are growing continuously and in 1962 exceed 61,000 million rubles.

The budgetary funds for financing the national economy are directed into the following main expenditures: 1/ on enlarging the basic funds of the national economy, i.e., on capital investments in the construction and technical reconstruction of enterprises; 2/ on enlarging the working funds of enterprises and economic organisations (endowing enterprises with own working funds and ensuring the increase of these funds); 3/ on developing new industries; 4/ on operational expenses of enterprises, on research by enterprises and on the training of personnel; 5/ on creating and increasing state material reserves.

In this field funds from the State Budget are thus directed towards enlarged reproduction, the constant improvement of production, the necessary renewal of basic production funds, i.e., towards the consolidation and strengthening of the country's economic might and increasing her social wealth.

One must not lose sight of the fact that, as we have already mentioned, the budget fulfils not only a treasury function of allocating planned funds but also the function of control or, as we call it, the function of control by the ruble, i.e., checking the expediency, thrift and efficacy with which state resources are used.

In addition to expenditures on the development of industry and agriculture, the expenditures on trade and transport must also be included in the group of economic expenditures of the State Budget.

In the final analysis, the expenditures from the State Budget of the USSR on the development of the national economy have the purpose of enhancing the people's wellbeing, of raising the standard of living. This purpose is achieved, first, by the expenditures on the development of the heavy industry, which is the foundation of all other branches of industries, including the light and food industries, and second (and simultaneously) by the direct expansion of the output of consumer goods and foodstuffs.

In the socialist countries constant concern is shown by the State for the all-sided development of culture and science, for the health of the population, for improving housing and living conditions of the working people. All these cares are vividly reflected in the budgetary expenses on the corresponding measures. With the development of the Soviet state the various requirements of the population are satisfied to an ever increasing extent at the expense of social funds, and the role of the budget increases in forming these funds and in their expedient distribution and

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utilisation. Budgetary expenditures on pensions and allowances, on free tuition and medical attention, on the building of boarding schools, on the upkeep of children's establishments and on the satisfaction of other social and cultural requirements of the population are steadily increasing. In 1960 nearly 24,500 million rubles were spent on social insurance, allowances, pensions, scholarship grants and many other social and cultural allowances and privileges to the population. In 1965 the expenditures on these purposes will rise to 36,000 million rubles and add up to 380 rubles per working person a year. In addition, more than 80 rubles per working person a year will be spent on the construction of dwellings, schools and cultural, everyday service and medical establishments.

The Government has definite expenses for the upkeep of the administrative apparatus. In a socialist state this apparatus serves the entire people and fulfils social useful functions. However, in allocating the necessary funds (which occupy an insignificant place in the budget) for the administrative apparatus, the state systematically took and continues to take measures to improve and simplify the management bodies and to rationalise their work, thereby reducing the expenditures on their upkeep. In the period 1954-1961, 2,000 million rubles were saved in the expenses on the administrative apparatus by enterprises, offices and organisations. In 1962 the expenses on the management apparatus are 23 million rubles less than in 1961.

While pursuing a peaceful policy and working perseveringly for world peace, the Soviet Union is, however, compelled to take measures to ensure its own security and protect its frontiers against the possibility of an armed attack by the imperialist countries. The protection of the Soviet people, who are engaged in peaceful creative labour, against possible aggression requires definite expenditures on the upkeep of the Armed Forces of the USSR. In the State Budget of the USSR for 1961, the share of expenses on defence was set at 11.9 per cent as against 32.6 per cent in 1940 and 20 per cent in 1950. However, because of the intensifying arms race in the West and the increased threat of war, the Soviet Union was forced to increase its expenditures on defence by 3,144 million rubles, in 1961; in 1962 these expenditures were set at 13,400 million rubles.

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Let us go over to the characteristic of another important institute of our economy—credit.

Like socialist finance, credit represents a system of monetary relations, the necessity for which, like the necessity for finance, is due to the presence of commodity economy under socialism and to commodity and money relations. Through credit the socialist state uses the temporarily liquid funds in the economy and in the hands of the population as well as the funds that form through the constant excess of revenue over expenditures in the budget, and uses them in a strictly organised and planned way—on terms of repayability within a certain time limit—for expanding reproduction.

Let us explain. Reserve monetary funds form at every

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enterprise at various times of the production process: for example, incoming payments may not coincide with outgoing payments both with regards to time and the sum; the sale of large lots of goods may not coincide with the time the enterprise purchases raw and other materials, fuel and so on. Another important source is the availability of temporary free balances in the accounts of budgetary enterprises: this is quite natural because being on a budget, an enterprise spends its allocations not at once but in the measure as the plan is fulfilled, under certain conditions, by a fixed time-table (for example, the payment of wages) and so on. The principal sources of credit are thus being formed.

On the other hand, enterprises may find themselves temporarily short of funds. This can be due to the need to make large seasonal purchases of raw materials and so on and also to a possible disparity between the availability of monetary means and the extent of urgent expenditures. Lastly, there are other reasons, for example, overfulfilment of the production plan and, consequently, a temporary increase in the volume of unfinished output. This, of course, is far from being a complete list of reasons for a temporary shortage of funds in enterprises.

In socialist economy the importance of credit is very great. Credit is called upon to promote the growth of production, turnover of goods and accumulation, the strengthening of the "khozraschet" and its introduction into all the links of production, the mobilisation of internal resources, the thrifty and most effective utilisation of material, financial and manpower resources, the growth of labour productivity, the reduction of costs, the increase of the basic and working funds of enterprises, and collective and state farms, and the acceleration of the turnover of working funds. In carrying out this many-sided role, effectively implementing the control by the ruble over the course of production and circulation, and applying a differentiated approach in crediting as a means of influencing the economy of enterprises, credit is one of the state's most important means of creating the material and technical basis of communism.

Credit and the banks extending credit, are a state monopoly in the USSR. This is quite natural under socialism, under conditions of public ownership of the means of production. By virtue of these conditions, we do not have mutual commercial credits, i.e., direct credit relations between enterprises. There is no need for such relations, to say nothing of the fact that mutual commercial credit would bring chaos into the redistribution of funds among enterprises and prevent any possibility of seeing to it that they are purposefully utilised.

In socialist economy credit bears a direct and purposeful character; its main feature is that it is repayable and is granted against security in the form of material values.

Under socialism, banks play a very important role. V. I. Lenin, founder of the Soviet state, wrote: "Socialism would have been unfeasible without big banks." As the example of the Soviet Union shows, banks are more than simply an apparatus for the mobilisation of temporarily free monetary means and the granting of credits at the expense of mobilised resources. Under socialism, banks play an important role in organising a nation-wide accounting of production and distribution of products, controlling by the ruble the fulfilment of

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production, trade and purchasing plans, the progress of capital construction, and help, as we have already pointed out, to strengthen "khozraschet" and to keep costs down to a minimum. In addition, as we shall show later, banks are settlement, cash and issue centres for the country's entire economy; socialist banks, furthermore, have the task of regulating the circulation of money and the settlement of accounts in foreign trade relations.

Let us stop in greater detail on banking functions, primarily the functions of credit.

Depending on the time terms bank loans are granted, (and also depending on their object and purpose) credit is divided into short-term and long-term credit. As a rule, short-term credit is granted for a period of not more than one year and, chiefly, for supplementing working funds to meet the temporary requirements of production. Thus, enterprises with seasonal production, circulation and procurements receive credit against stocks over and above the established norm; but enterprises with non-seasonal production are likewise granted a certain credit for the partial formation of normal stocks; there are also credits for turnover, which serve the production process at all stages of the circular movement/funds of an enterprise. Furthermore, credits are extended against goods en route, against funds in the process of settlements and so on. The very nature of credit, in that it is repayable within a definite period of time, understandably, requires material values as security: these values, which are at the disposal of enterprises, must guarantee the timely repayment of funds received from the bank. It does not require proof to show that control by the bank is necessary to ensure the repayment of loans by enterprises.

Another form of credit--long-term credit - has the purpose of enlarging the basic funds of the national economy or ensuring their capital repairs.

Credit investments in the various branches and enterprises of the national economy are planned, and are distributed in accordance with credit plans. These plans are based on material balances, production plans, plans for the turnover of goods and financial plans. Credit planning gives the activity of banks a strictly organised, national-economic character: the requirements of separate enterprises are examined not in isolation or haphazardly, but in combination with the interests of the country, with the aims and direction of the economic development plan.

A few words must be said about the rate of interest charged for credit. This interest, whose rate is established by the state, by no means plays the role of regulator of one aspect or another of the country's economic life; it does not influence the direction and volume of credit because they are mapped out in the credit plan, which, in its turn, is founded on the country's economic development plan. Under socialism, interest is a source for covering a bank's expenses and, to a certain extent, one of the sources of the credit itself. \* At the same time, interest is to some extent an instrument of bank control.

\* The State Bank of the USSR charges an interest of 2 per cent p.a. on term loans, 1 per cent p.a. on loans against documents en route and other forms of settlement credits, and 3 per cent p.a. on overdue loans. The rate of interest on long-term credits is from 1 to 2 per cent. p.a.

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over the economy and helps to strengthen credit discipline in the national economy.

Mention has already been made of an important function of the banks, the function of effecting settlements between economic organisations. It must be emphasised that these settlements are effected solely through the bank, by clearing, i.e., by transferring the corresponding sum from the account of one economic organisation to the account of another. The bank can only effect such transfers with the agreement of the payer and providing there are free funds in his settlement account.

In addition to settlement and cash services, the bank has one more function, - to receive and disburse monies on account of the State Budget. This function is carried out by the State Bank of the USSR.

In the USSR the credit system has changed many times in conformity with the development of the country's economy and with the changes in the relations between branches, organisations and enterprises of the national economy that took place at separate stages of this development.

At present the credit system in the USSR consists of the State Bank of the USSR, the All-Union Bank for Financing Capital Investments (Stroibank) and the Bank for Foreign Trade of the USSR (Vneshtorgbank). The state savings banks are a part of the credit system, or rather, of the separate system of state credit.

The State Bank of the USSR grants short-term credit for production and the turnover of goods; finances; and grants long-term credit for capital investments in agriculture and for the consumer's co-operative; finances capital repairs and grants credit for new technology, extends long-term credit for individual housing construction in the countryside. In addition, as we have already mentioned, the State Bank effects settlements and also acts as cashier for the national economy and the budget. Lastly, in the territory of the USSR, the State Bank has a monopoly of issue of notes of the State Bank and also of treasury notes and metal coins.

The above-listed functions of the State Bank and the accompanying tasks of controlling production and the circulation of goods by the ruble, facilitating the development of production and goods turnover and strengthening the circulation of money in the country, give an idea of the vast role that the State Bank plays in the economy of the Soviet Union.

At present the network of the State Bank's local branches consists of 6,736 offices, branches and agencies. The sum of short-term credit extended by the State Bank increases with the development of production and the turnover of goods. For example, the credit investments of the State Bank on January 1, 1961 amounted to 44,200 million rubles as against 38,400 million rubles on January 1, 1960; in this period the credit investments in industry increased by 7.6 per cent, in agriculture by 32.1 per cent and in trade by 4.4 per cent. Towards the close of the Seven-Year Plan period, the credit investments of the State Bank in the national economy will increase by approximately 50-55 per cent. The State Bank and the Bank for Foreign Trade of the USSR effect foreign exchange transactions with more than 1000 foreign banking institutions more than in 80 countries.

The Stroibank conducts the following operations:

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a) financing and long-term crediting of capital investments of state enterprises in industry, transport, communications, cultural and everyday services, housing construction and home and foreign trade; b) financing capital repairs of the basic funds of contracting building and assembly organisations; c) long-term crediting of individual housing construction in towns; d) short-term crediting of contracting building and assembly organisations. The Stroibank's resources for financing capital investments are, in the main, budgetary allocations and own funds accumulated through depreciation deductions and deductions from the profits of enterprises.

In the sphere of its activity the Stroibank controls the observance of design and estimate discipline and the planned cost of building, secures the mobilisation of the internal resources of building projects, and so forth. An important feature is that building is financed to the extent of actual fulfilment (under the contracting method-- at the completion of elements of the job,-- and under the economic method--for separate elements of expenditure).

As a rule, the capital investments of state enterprises and organisations are financed on a non-repayable basis.

The Bank for Foreign Trade of the USSR credits foreign trade (a function performed until 1961 by the State Bank of the USSR); effects collection, letter-of-credit, commission and other transactions in settlements with foreign banks, handles the clearing accounts of these banks for the trade turnover and non-commercial payments; and also handles currency exchange transactions for tourists arriving in or leaving the USSR. The Bank for Foreign Trade of the USSR has correspondents in most of the countries of the world.

The functions of the state savings banks are: receipt and payment of deposits; sale and purchase of state loan bonds; money transfers, by order of depositors, for the payment of communal services. The balance of the deposits in the savings exceeded 11,660 million rubles on January 1, 1962.

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The socialist state, whose economic life is planned, has all the necessary conditions for a planned organisation of the monetary system and for a planned circulation of money.

There are three kinds of money in the USSR : 1) notes of the State Bank of the USSR in 100, 50, 25 and 10 ruble denominations; 2) treasury notes of 5, 3 and 1 rubles; and 3) coins from 1 ruble to 1 kopek. In passing, I shall note that as from January 1, 1961, the Government of the USSR enlarged the scale of prices 10 times and replaced the money in circulation with new money.

State Bank notes are secured by gold, precious metals and other assets of the State Bank of the USSR. It must be noted that these "other assets" include short-term credit granted against the security of commodity values, whose total value is considerably higher than the entire sum of the notes issued and in circulation.



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Treasury notes are secured by all the property of the USSR, and their economic nature is identical with that of the State Bank notes; no special form of security (gold or other bank assets) has been established for treasury notes, but this does not deprive them of stability or of their importance as one of the sources of short-term bank credit.

As has been already mentioned, the State Bank of the USSR is the note issue centre in the country, and issues (or withdraws) money in conformity with the economic development plan and the cash requirements of the country's economic turnover at definite periods.

The planning and regulation of the circulation of money is closely linked up with the plans for the output and sale of goods, the State Budget (which is the basic financial plan in the Soviet Union), the credit plan (which co-ordinates the credit investments of the State Bank and its resources) and the cash plan (which establishes the cash requirements of enterprises and the sources for satisfying these requirements). The planning of the circulation of money is furthermore based on the balances of the population's money incomes and expenditures. The aggregate of all these plans and balances reflects the different aspects of the harmonious system of socialist economy, which is governed by the economic law of planned, proportionate economic development and takes into account the requirements of socialist society and the state. Resting on these plans, the state has the possibility of purposefully planning the circulation of money in the interests of the entire people.

In the Soviet Union, the monetary unit is the ruble, whose value is established at 0.987412 grams of fine gold. The Soviet ruble is stable by its very nature, by the nature of the planned organised monetary system and by the conditions in which this system operates; it is a striking expression of the might of the steadily developing socialist economy. With its peaceful, creative economy, the Soviet Union has no budgetary deficits and does not require unhealthy issues of money over and above requirements, as an additional means of covering expenditures.

That is why the Soviet state is free of inflation, an evil which corrodes the monetary system and causes tremendous harm to the working people.

In the USSR, as in all the socialist countries, there is a monopoly of foreign exchange. All foreign exchange resources are concentrated in the hands of the state, and all international settlements, as we have already pointed out, are made solely through the bank. Foreign exchange is not in free circulation in the USSR.

Like the monopoly of foreign trade, the monopoly of foreign exchange is a major condition for the normal functioning of the planned system of socialist economy, of its self-sufficiency and independence.

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Short-Term Credit in the U.S.S.R.

A far-reaching programme of building a communist society is to be completed in the U.S.S.R. within the next 20 years in accordance with the Programme of the C.P.S.U., adopted at the Twenty Second Party Congress. Commodity and money relations will be fully utilised in the course of this entire period in conformity with the new content that they have acquired under socialism. An important role is being played by money, price, cost, profit, trade, credit and finance. The achievement, in the interests of society, of the biggest possible result at the lowest possible cost is a major law of economic development in the U.S.S.R. In its turn, this requires that all economic organisations make the most rational and effective use of all their resources--material, labour and financial, reduction of production and circulation costs. Economic accounting (khozraschet) i.e., a system of management by which each enterprise must run its affairs in such a way as to allow its income to cover the necessary costs and, over and above that, show a profit that can be used for the further enlargement of production, is a key condition for rational management. That is why it is of the utmost importance to enhance economic accounting as much as possible, to keep expenses down to the lowest possible level, to reduce production costs and increase the profitability of production.

The Soviet banking system and short-term credit play a very big role in the fulfilment of these important tasks. In the U.S.S.R., in conformity with Marxist-Leninist teaching, banks have been nationalised and are the property of the people; credit is a state monopoly and expresses the relations between state banks (the State Bank and the Bank for Financing Capital Construction - the Stroibank) and socialist enterprises and organisations, and also the relations between banks, savings banks and pawnshops on the one hand and the population on the other. Credit also plays a very big role in strengthening the Soviet Union's economic relations with other countries.

A feature of Soviet credit and the factor determining its nature is that the socialist state, in the person of banks and other state credit institutions, acting as a creditor or debtor, is always one of the parties in credit relations. In the U.S.S.R. the nature of credit is unique, but this unity does not exclude difference which, in the main, are due to the existence of two forms of socialist ownership--public and collective-farm-co-operative.

In the inter-relations between the state and the collective farms and also between socialist states, credit expresses relations between different owners of one and the same type; within the state sector credits are extended on the basis of single public ownership; the funds at the disposal of enterprises do not belong to them, the state retaining

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ownership over these funds, and in the redistribution of funds through credit they do not pass from one owner to another. These differences are important for understanding the features of credit in the state and co-operative sectors of economy.

The difference between public and collective-farm-co-operative forms of ownership precondition some of the features of credit in the two sectors of socialist reproduction in the presence of the above-mentioned unity of credit throughout the national economy and the preservation of the basic advantages of socialist credit in both sectors. The most essential difference is that the spheres and boundaries of the application of credit do not coincide in the two sectors. In the state sector, where credit rests on public ownership, it functions chiefly in the movement of working funds and, to a lesser extent, in capital investments. In the inter-relations with collective farms and co-operatives, credit participates in both the basic and working funds' movements.

In socialist society the existence of credit is closely connected with the presence of commodity production, trade and money using economy.

Credit necessarily arises out of the circulation of the funds of socialist enterprises and organisations, taken in the aggregate, as part and parcel of the circular movement of funds of socialist economy.

The material and monetary resources of each enterprise are in constant motion and pass through three stages of the circular movement--monetary, productive and commodity stages. By virtue of the peculiarity of the circular movement there are funds at each enterprise that are not used at the given moment and are thus periodically free viz: depreciation deductions until their use for capital repairs or new construction; a part of the proceeds from the sale of finished products and accumulated for the periodic payment of wages, payments to suppliers of raw materials, and payments to the budget and the banks. At the same time, in connection with the features of the circular movement of funds, enterprises may find they have additional requirements for funds due to seasonal or irregular deliveries of raw materials or a seasonal output of goods, as a consequence of a lack of coincidence in the turnover of purchases and sales in the given period, the approach of the date of payment of wages when the process of the sale of the product and its transformation into money has not been completed, and so on. These phenomena exist in socialist economy side by side and intertwine into a single circular movement of funds of various enterprises.

At a time when temporary free funds form in some enterprises, other enterprises find they temporarily require additional funds.

From this we can see that the objective need for credit, i.e., for an uninterrupted redistribution of funds between socialist enterprises through the use of the temporarily free funds of some enterprises in the economic turnover of others for production purposes, arises in the process of reproduction.

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In accordance with this, the working funds of socialist enterprises consist of own and borrowed funds. Own funds of enterprises are fixed by plan and their size is determined by the minimum requirements ensuring the uninterrupted work of these enterprises. Newly-organised enterprises are, as a rule, endowed with own funds from the budget; operating enterprises use a part of the profit from their economic activity to increase their own working funds as production and the sale of output increase. Co-operatives and collective farms form their own working funds out of entrance and share fees and profits.

Borrowed funds consist of bank credits, mainly from the State Bank. Credits are granted to enterprises and organisations, over and above their own working funds, for planned seasonal and other stocks of goods and other material values; for settlements and other purposes.

The ratio between own and borrowed working funds is seen from the following: at the beginning of 1960 own funds comprised 38 per cent and credits 44 per cent of the working funds of economic organisations. But these are average figures. In the different branches the ratio is different. For example, in industry it was correspondingly 49 and 38 per cent, in trade 30 and 58 per cent and in purchasing organisations 14 and 72 per cent.

At the beginning of 1960, the working funds in socialist economy totalled 85,900 million rubles, of which 40 per cent was in industry, 35 per cent in trade, supplies and sales, and 11 per cent in agriculture and purchases.

Short-term credits serve the circular movement of working funds; in accordance with the character and duration of this movement, short-term credits are granted for a term not exceeding one year.

In socialist economy the functions and role of credit are determined by the essence and nature of the credit. Proceeding from the above-said, note must be made, first and foremost, of the function and role of credit in the redistribution of the monetary resources of socialist society. Credit takes part in the planned mobilisation of part of the national income and of the temporarily free monetary funds of enterprises and in their redistribution for productive use in the process of the expansion of socialist reproduction. This, so to speak, distributive function of credit has two inter-related and mutually supplementing sides--the mobilisation of monetary funds and their redistribution on the basis of repayment; it represents a single process of a planned redistribution of monetary funds through credit in enlarged socialist reproduction. Utilising this distributive function of credit, the Soviet state influences production and the formation of its proportions.

Banks, primarily the State Bank, on the one hand, through their passive operations accumulate all the temporarily free monetary funds of state and co-operative enterprises and organisations, collective farms, public and other organisations, the savings of the population and also the monetary reserves of the budget and credit system. All enterprises, organisations and institutions, the budget and budgetary establishments must keep

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their monetary reserves in the banks and through them pay each other for goods, services and so on. The budget funds and the resources in the settlement, current and other accounts comprise the main mass of the bank's resources. The resources for short-term credits are likewise the bank's own funds and note-issue, which is planned in strict conformity with the turnover requirements.

The banks distribute the above resources by plan among enterprises and organisations as special-purpose, repayable, term credits.

On January 1, 1962, the credits extended by banks totalled 51,600 million rubles, of which short-term credits amounted to 47,400 million rubles and long-term credits to 4,200 million rubles. Credits from the State Bank account for about 94 per cent of the total sum of credits extended in the country.

On January 1, 1960, short-term credits were distributed in the national economy as follows:

Industry (excluding supplying and selling organisations)	-16,400 million rubles or 34.6 per cent
Agriculture and purchases	- 6,500 million rubles or 13.7 per cent
Transport and communications	- 500 million rubles or 1 per cent
Construction	-2,300 million rubles or 4.9 per cent
Supply & sale	-3,200 million rubles or 6.8 per cent
Trade	-17,100 million rubles or 36 per cent
Other branches	-1,400 million rubles or 3 per cent

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Total -47,400 million rubles 100 per cent

Credit plays an important role in socialist economy, facilitating the growth of production and commodity circulation, a fuller utilisation and acceleration of the turnover of material and monetary resources in the process of reproduction and, on this basis, increasing socialist accumulation. In fulfilling these functions, credit promotes the growth and strengthening of extended socialist reproduction and the planned, balanced development of socialist economy.

But the functions and role of credit in socialist economy are not limited to this. Credit is closely linked up with the entire money turnover of the country. The money turnover consists of two spheres--cash and non-cash turnover. In both these spheres the money turnover rests on credit and is promoted with the aid of bank credit.

Through the bank all forms of money turnover take the shape of credit relations between the bank and its clients. Thus, if an economic organisation instructs the bank to transfer money from its settlement account to the settlement account of another economic organisation (or institution), we find two inter-related credit transactions--the deposit of one economic organisation decreases in the bank and the deposit of another economic organisation increases simultaneously. This means that the owner of one account in the bank transfers his right of demanding a certain sum from the bank to the owner of another account.

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If a bank grants a loan to an economic organisation, it either transfers this money to the settlement account of the borrower or, by his instructions, to the account of the supplier as payment for material values or services. When clients receive a loan or money from the settlement account, they can in certain cases, in addition to non-cash orders, receive cash for the payment of wages or for certain other payments.

The function of credit we are examining consists in replacing money in circulation by various forms of credit transactions, in replacing money by credit media (for example, the transfer of money from one bank account to another, the offsetting of mutual claims of economic organisations and so on). Thanks to this, credit accelerates the money turnover and saves public costs of circulation. At the same time, it plays an important role in the planned regulation of money circulation and in the strengthening of the ruble.

Enterprises and organisations pay the bank an interest for the use of credits. In their turn, banks and savings banks pay an interest on the settlement and current accounts of enterprises and organisations and on the deposits of the population.

The net income of socialist enterprises is the source for the payment of interest in the U.S.S.R.; through the interest it receives, the bank in its turn pays interest to depositors and covers all its own costs. The remaining balance is the bank's net profit. Half of this profit is paid into the budget, and the second half is used to increase the bank's own funds, which are used as credits to various branches of the economy. Interest is, thus, a form of redistributing the national income.

In socialist economy the rate of interest is established not spontaneously under the influence of demand and supply (as in capitalist economy), but consciously, by plan, on the basis of the task of strengthening economic accounting, stimulating the economic utilisation of material and monetary resources by enterprises and organisations, ensuring the timely repayment of credits and also encouraging the depositing of free resources in the banks. In the U.S.S.R. the rate of interest is systematically decreased, this being due to the powerful development of socialist economy and credit and other financial resources and also to the systematic reduction of the relative level of bank costs. For example, since 1955 the rates of interest have been halved. At present banks charge an annual rate of interest of 1 and 2 per cent for short-term loans, 3 per cent for overdue loans, and 0.75-1-2 per cent for long-term loans. Naturally, the rate of interest paid by the banks is lower, considering the need to cover costs and to receive a certain profit. Banks pay 0.5 per cent on settlement and current accounts, and 2 and 3 per cent on sight & time deposits of the population.

In socialist economy credit is based on cost accounting, closely intertwines with it and is combined with bank control.

Credit stimulates the observance and strengthening of cost accounting because in order to receive credits and to ensure the repayment of these credits in the established time limit, enterprises must fulfil the quantitative and qualitative indices

of the plans for the output and sale of products, reduction of costs and profitability, and also make proper use of loaned working funds in their economic activity, accelerate the turnover of funds and observe financial discipline. The payment of interest for credits and the receipt of interest on settlement accounts stimulate the economic use by enterprises of their own and borrowed funds.

Credit relations are the foundation for bank control by the ruble over the economic and financial activity of enterprises, over the fulfilment by them of the quantitative and qualitative indices of their plans. A differential approach is taken in extending credits to enterprises and organisations. In the granting of credits, the bank extends privileges to smoothly working enterprises, and, conversely, applies a special, stricter regime of crediting to badly working enterprises. The granting of credits in accordance with the actual fulfilment of plans and the claiming of payment on the basis of the planned timetable of payment of the enterprises receiving credits enables banks to control the fulfilment of plans by economic methods, resting on cost levers of socialist economy, i.e. on money, credit, economic accounting and so forth. Thereby, credits are of great importance in promoting the fulfilment of production and circulation plans.

#### Principles of the Organisation of Short-Term Credit and the Different Forms of Credits

Bank credit is the predominant form of credit in socialist planned economy. Commercial credit, i.e., reciprocal granting of credits by economic organisations only existed in the early stage of the development of Soviet economy. Commercial credits were prohibited in the U.S.S.R. as from 1930. In addition to credits received directly from banks (called direct bank credits in the U.S.S.R.), there are inter-management credits or rather advances received by one economic organisation from another: for example, collective farms receive advance payments from purchasing organisations against agreements for the delivery of farm produce. This form of crediting is practised on a small scale. Moreover, mention must be made of consumer credits extended by trade organisations to the people (for the purchase of goods on the instalment plan). The two latter forms of credit are closely related to bank credits. Purchasing and trade organisations grant these credits entirely at the expense of credits received from the State Bank and do not involve their own funds in these transactions.

Direct bank credit is thus the dominating form of credit in the U.S.S.R.

The basic principles of direct bank credit are: a planned purposeful character, fixed term and repayability, security with material values.

The purposeful character of credit is determined by credit plans in accordance with the demand for funds for the creation of reserves of material values or for expenditures at

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different stages of the process of reproduction provided for by economic development plans. The purposeful character of credit is of great importance for the planned distribution of credit resources in the national economy, in conformity with the requirements of socialist economy that are determined by the law of planned, balanced economic development. Strictly adhering to this principle, banks have only one correct criterion of the credit policy--the use of credit as a means of promoting the fulfilment of production and circulation plans, and of controlling the fulfilment of economic and accumulation plans. Resting on the purposeful character of credit, the bank has the possibility of granting loans in accordance with progress in the fulfilment of a planned transaction for which credits are received and also in conformity with the actual accumulation of materials and goods or expenditures, but these credits cannot exceed the figures provided for in the plan.

If, for example, the plan of a canning factory is to accumulate a seasonal stock of finished products worth 500,000 rubles, the bank can, within limits of this sum, grant loan against these products as the stocks are accumulated; if the seasonal stock comes to 150,000 rubles, a loan will be granted commensurate with only this sum, and when the stocks are increased to 350,000 rubles, the factory can receive an additional 200,000 rubles, and so on until the full 500,000 rubles' worth of seasonal stock is accumulated. However, if the seasonal stock exceeds 500,000 rubles' worth, the bank will refuse to grant an additional loan above that sum.

The purposeful character of credit thus makes it possible to direct credits strictly in conformity with the plan and with the actual fulfilment of the plan. This shows the importance of this principle for ensuring the planned distribution of credit and for using credit as a means of achieving a balanced distribution of material resources in the process of reproduction and control by the bank over the actual fulfilment of plans.

This special character finds expression in the object of credits, this being understood as a definite form of material values or expenditures, for the formation (or realisation) of which credits are granted, for example, raw materials, finished products or goods and so on.

By their economic character, objects of credit are distinguished depending on the role they play in the process of reproduction. As a rule, working funds at various stages of production and circulation are objects of short-term credit. As objects of credit, working funds are distributed as follows:

material values	-raw and other materials, fuel, packing, finished products, goods and so on;
expenditures	-values in unfinished production or future expenditures;
sums in the process of settlements	-material values shipped to buyers, letters of credit, special accounts, and so on.



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Credits may also be granted for capital investments. For example, for enlarging or building new enterprises producing goods for the population or offering services to the population, for the purchase and installation of new equipment and machines, and other purposes. These credits will be examined in greater detail in the next lecture.

In the sphere of working funds, most of the objects of credits are material values, the credits for these values adding up to nearly 75 per cent of all the credits serving the circulation of working funds; the next biggest share of credits falls to those invested in settlements (settlement credits)-- nearly 19 per cent.

Values that play the same role in the process of production or circulation are grouped in one object of credit. This serves to enlarge the objects of credit. For example, all forms of raw and basic materials and purchased half-finished products comprise one enlarged object of credit; fuel, auxiliary and repair materials, packing and all forms of purchased material values comprise another object of credit; finished products and goods or incompleated output and half-finished products of own manufacture are separate objects of credit. Experience has shown that it is not advisable to divide up the objects of credit because this weakens the purposeful character of credit, hinders the correct manoeuvring with credit in the course of the fulfilment of the plan and complicates the technique of the work of the bank and economic organisations.

Evaluations of material and other values that are objects of credit (price of crediting) are very important in the granting of credits. If the evaluation is wrong, economic organisations may be overcredited or undercredited. As a rule, all purchased material values (raw and other materials, fuel and so on) are evaluated at their actual purchase price with the addition of the actual expenses for transportation and storage; finished products are evaluated at the planned factory or mill cost; unfinished output is evaluated at actual cost but not above the planned cost; shipped goods are evaluated at their planned cost plus transportation expenses.

The purposeful character of credit is closely linked up with security of credit. Thanks to their purposeful character, credits are linked up directly with the movement and availability of a given form of values at a definite stage of production or circulation. Credits must therefore be guaranteed with material or other values, against which they have been extended. Most credits are secured by commodity and material values--raw and other materials, finished products and goods (evaluated as described above).

An important principle of credits, proceeding from their nature, is that they are repayable at a given fixed date. Credits are subject to repayment within an established time-limit. This time-limit is determined on the basis of the plan of movement of commodity and material values. For example, when credits are granted to trade organisations against goods, the time-limit is determined by the plan of the turnover of goods. Credits extended to industry against remains of raw and other production materials are granted for the period planned for the processing

of these materials. Credits granted against shipped material values are exacted in the time-limit corresponding to the actual turnover of documents under the acceptance form of settlements, and any delay in the payment of the invoice by the buyer because of a lack of funds is not taken into consideration.

Credits are repaid:

by the payment of fixed term obligations issued upon the receipt of a loan; the sum and the date of repayment are indicated in such an obligation;

by planned payments, whose size is, as a rule, determined on the basis of the plan of consumption of raw and other materials or the sale of finished products and goods; planned payments are made periodically-daily or every two or three days by agreement between the bank and the economic organisation concerned.

In some cases, provided for by decisions of the Government of the U.S.S.R., credits are exacted to the extent of the actual (not planned) consumption of credited values. This procedure is applied when credits are granted to organisations procuring or processing (primary) agricultural raw materials (organisations engaged in purchasing grains, livestock, sugar refineries, cotton ginneries and so on). Here the repayment of credits depends on the actual receipts, which are directly used for the repayment of credits (by-passing the settlement account).

Depending on the procedure of issue and registration, which is connected with the economic nature of individual objects of credit, two forms of loans must be distinguished: for the turnover of material values and for the stock of goods. The first, loans for the turnover, are granted in cases when credit participates in the entire turnover of the funds of a given enterprise in addition to its own funds: for example, credits granted to trade organisations, to industrial enterprises where production is of a non-seasonal character, and so forth. Loans granted against the stock of goods are rarer and are extended in cases where the object of credit is a separate form of value at some stage of the turnover (for example, credits against packing and so forth). At the same time, mention must be made of a mixed form of loans, uniting the above-mentioned cases. This concerns loans granted to seasonal enterprises for the purchase of agricultural raw materials and other material values for the period they are processed and sold.

In conformity with this there are two types of loan accounts, in which all bank loans are registered:

-simple or fixed term loan account, which, as a rule, is used for loans against the stock of goods;

-special loan account, which is used for loans against goods in the turnover.

Material values are the basic object of short-term credit. There are two forms of credit against material values-against above-normal stocks of values and against a part of normal stocks. The first are loans extended in cases when by plan the stock of

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material values exceeds the norm covered by own working funds. Most of these loans are granted to enterprises where production bears a seasonal character or where there are seasonal operations during separate periods, for example, state farms, enterprises of the timber, peat, light and food industries, and so on.

In the overwhelming majority of cases, credits against above-normal stocks of material values are provided for by economic plans and are planned credits.

In the work of economic organisations there are times when unplanned, so-called over-plan stocks of material values form. If these stocks are due to temporary deviations in the course of the fulfilment of the plan for reasons not depending on the enterprise (overfulfilment of the plan, irregular supply of raw materials, delay in the shipment of products through the fault of the transport, and so on), the enterprise can receive loans for temporary requirements against these values for the creation of favourable conditions ensuring normal production conditions.

The second form includes credits which together with own working funds take part in forming a planned normal reserve of material values (normativ). This form of credit is met with in trade (credit against commodity circulation) and in industry where production is of a non-seasonal character. In these cases own funds are differentiated from credits by the sharing of each in the formal reserve of values. For example, in the commodity circulation of state trade, own funds account for 40-50 per cent of the commodity reserve, and credits for 50-60 per cent; in the consumers' co-operative the share of own funds is lower and of credits higher; in industry where production is of a non-seasonal character, if, say, the funds invested in the production reserves add up to 40 per cent, bank credits have to add up to 60 per cent of these stocks.

In granting credits to enterprises against reserves of commodity and material values, the bank pays special attention to see that enterprises observe the structure of these values as established by plan, do not accumulate surplus reserves which are needed by other enterprises, and do not delay the sale of products and their quick movement from the place of production to the consumer.

As we have already noted, credit plays an important role in the money turnover, in particular, in non-cash settlements (clearings). There are several varieties of these credits, called settlement credits, depending on their participation in various forms of settlements. In this connection, two groups should be singled out: credits to suppliers of goods and credits to buyers.

Suppliers require credits for settlements for goods through acceptance or set-off. In these cases, the supplier is in need of additional funds for continuing his economic activity in the period from the shipment of goods to the receipt of money from the buyer. The bank grants him credits for this period to the sum of the shipped goods.

If letters of credit, a special account, a cheque from

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a limited cheque book is used as a medium of settlements, additional funds are required for the period of settlements not by the supplier but by the buyer. The bank grants these credits for opening a letter of credit, a special account or the purchase of a limited cheque book. These credits are exacted periodically (once in 7-10-15 days) to the extent funds are used for settlements.

Moreover, in some cases a settlement credit is granted to buyers under an acceptance form of settlement for the payment of supplier's invoices when they have a lack of funds in their settlement accounts.

Planned credits. The planned character is a very important advantage and feature of credit in the USSR. Credit resources are mobilised by the banks and redistributed among various branches of the national economy in accordance with requirements determined on the basis of state economic development plans. Thanks to this, credit helps to achieve the planned proportions and rates of development of production and circulation. Short-term credits are planned with the aid of the credit plan, the procedure under which it is drawn up and fulfilled will be dealt with in one of the following lectures.

The credit plan of the State Bank, approved by the Government of the USSR, serves as a directive for economic bodies and the bank, and guides them in their credit relations.

Implementation of a credit policy, determined by the credit plan, in all the links of the bank, the observance of the principles underlying credit and the exercise of control by the ruble ensure the utilisation of the bank's resources for over-all assistance in the development of socialist economy.

In the Soviet Union's socialist economy, which does not suffer from crises of overproduction, credit grows uninterruptedly in conformity with the planned growth of production, popular consumption and trade. The bank does not have to resort to artificial measures to stimulate the enlargement or contraction of credit by reducing or increasing rates of interest or by other methods employed in the capitalist countries.

The enormous growth of production and construction envisaged in the Programme of the Communist Party of the Soviet Union is necessary for the creation of the material and technical basis of communism and will require ever greater financial resources. In the next 20 years, capital investments alone will amount to two trillion rubles, the basic production and working funds will have to be increased nearly five times, and the earmarked five-fold increase in commodity circulation is likewise linked up with approximately a similar increase in commodity reserves in the country. The planned increase in short-term credits to be extended by the State Bank, determined by these rates of growth, will likewise help to carry out the great programme of communist construction. Moreover, the role of credits will grow as an instrument of control by the ruble furthering economic efficacy in the use of basic and working funds, strict economy of materials, fuel and other material values and the realisation of the immutable law of socialist economic management: the achievement in the interests of society of the greatest results with the minimum expenditure.

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DEVELOPMENT OF THE NATIONAL ECONOMY OF THE  
U.S.S.R. UNDER THE SEVEN-YEAR PLAN

I.

Allow me to begin with a general characteristic of the economy of the Soviet Union.

Today, as you all know, the U.S.S.R. is one of the most powerful, industrially developed countries of the world.

Its territory embraces 22,400,000 square kilometres or a sixth of the earth's land surface. This territory is inhabited by more than a hundred different nationalities totalling 220 million people.

The Soviet Union has the world's greatest reserves of hydropower, timber, coal, peat, iron ore, copper, lead,

manganese, zinc. The U.S.S.R.'s share of the world's total reserves of coal comes to 57 per cent, of peat to 60 per cent, of iron ore to 41 per cent, and of timber to a third.

Many scientific previsions of Soviet geologists have been realised in recent years. The huge reserves of iron ore in the Kursk magnetic anomaly, the copper ores of the Urals and Kazakhstan, and the enormous deposits of petroleum and gas in the Volga Area and <sup>the</sup>Urals and other places are now being utilised in industry.

The extremely rich reserves of minerals, the vast sources of water power and the unbounded expanses of fertile soil were one of the major material prerequisites for the rapid development of the Soviet Union's economy.

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In the U.S.S.R. there are more than 200,000 factories and mills, over 8,000 big state agricultural enterprises and about 41,000 agricultural artels.

Towards the close of 1962 the stock of metal-cutting machines and press and forge equipment will add up to nearly 2,700,000 units, which is about 90 per cent of the present stock of these machines and equipment in the U.S.A.

In 1961 the U.S.S.R. produced nearly 71 million tons of steel, 327,000 million kilowatt-hours of electricity, 166 million tons of petroleum, 510 million tons of coal and 51 million tons of cement.

It would be to the point to make the reminder that our economy was built up in the course of just under 45 years, the period that has elapsed since the Great October Revolution. Of these at least 18 years were occupied by the wars that were imposed on us and by rehabilitation of the destruction wrought by these wars.

In order to enable you to make a correct appraisal of the path that our country has traversed in this period, I shall take the liberty of giving you some comparative figures.

In 1913 Russia's industrial development was three times below the average industrial level in the world. The present level of industrial development in the U.S.S.R. is three times above the average level in the world.

In 1917 Russia produced less than 3 per cent of the

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world's industrial output, Today the U.S.S.R. accounts for nearly 20 per cent.

As you all know, at present the United States of America is, economically, the most powerful capitalist country in the world. This was due to certain historical conditions of that country's development.

But the United State is losing its economic superiority, Our country has outstripped the U.S.A. for the output of iron ore, coal, coke, prefabricated reinforced-concrete, diesel locomotives, tractors, grain combines, sawn timber, sugar, wool fabrics and a number of other items.

The rate of industrial output is higher in the Soviet Union than in the U.S.A. In the past few years the annual rate of growth of industrial output averaged 10 per cent in the Soviet Union and a little over 2 per cent in the United States.

At the same time that it built up a big industry, the Soviet state resolved another historic task, that of uniting millions of backward peasant households into big collective farms equipped with modern machinery. This made it possible to achieve a considerable increase in the total and marketable output of agriculture even though the number of people engaged in agricultural production was almost halved.

The training of personnel was one of the important problems that we had to resolve while developing our economy. It was a difficult task. In old Russia almost three-quarters of the population were in general illiterate; the number of people with a higher or secondary special education was less than 2 per cent. 1,000 of the population.

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During Soviet years tremendous work was done to raise the cultural level of the population and train highly qualified engineers and skilled workers on a big scale for all branches of the economy.

Today the national economy of the U.S.S.R. employs nearly 10 million specialists with a higher or secondary special education.

The vocational technical schools annually train about 700,000 skilled workers for industry and construction.

The general economic result of our country's development following the Revolution was that the national income became 25 times bigger than in 1913.

How and with what resources was the Soviet state able to carry out such a far-reaching programme of economic and cultural development and turn backward Russia into a leading industrial power within such a relatively short span of time?

The decisive factor was the consolidation of a new social system following the triumph of the Socialist Revolution.

Public ownership of the means of production brought to life new and unprecedented forces and possibilities for the country's rapid economic development.

It would be difficult to overestimate the economic (to say nothing of the political) advantages held out by the concentration of the basic resources in the hands of the socialist state.

Suffice it to point out that under this concentration the efficiency with which the basic means of production and



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other resources are used in the interests of the whole of society rises immeasurably, the possibility arises of planning the distribution and redistribution of these resources and also of flexibly manoeuvring with them to resolve the main tasks of general-state importance, and new sources of accumulation and development appear.

This and nothing else explains the rapid rate of our country's economic development without outside assistance.

## II.

The method of planning and of organising a planned economy as applied in our country has in recent years been attracting steadily increasing interest and attention abroad.

In this connection, I shall allow myself to discuss these two questions.

The objective conditions for planning on a nation-wide scale were created by the Socialist Revolution, which made it possible to socialise the main means of production in the hands of the state.

Since then planning has traversed a long and tortuous road, uninterruptedly developing and improving, embracing the country's economic life more and more fully and penetrating ever deeper into its various fields.

The beginning of this road was marked by the first long-term Plan of the Electrification of Russia, which was drawn upon under the guidance of our great teacher V. I. Lenin. It is now known as the GOELRO plan, and was followed by the first, second, third, fourth, fifth and sixth five-year plans. At present we are working on a seven-year plan of economic development, embracing the period

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1959-65, and have, at the same time, started fulfilling the general twenty-year plan of the building of the material and technical basis of communist society in our country.

A planned economy offers tremendous advantages in rates of development, in the rational use of resources, scientific and technical progress and in improving the material and cultural standard of our people.

The socialist system of planned economy eliminates all the reasons that under capitalism cause crises and unemployment.

Planning rests on the objective laws governing the balanced, planned development of socialist economy, on a study, knowledge and utilisation of these laws in the interests of the whole of society.

Naturally, in a planned economy, as well, there can be partial unconformity in the development of individual branches of the national economy due to miscalculation in the plans or to the unfulfilment of tasks in various branches of the economy.

This unconformity is eliminated by plan through the utilisation of available potentialities and the redistribution of labour, material and financial resources.

In order to create a properly co-ordinated plan, planning bodies draw up planned balances of the gross national product, the national income, labour, materials and finance.

In the balance of the national income, for example, the most favourable ratio is established between accumulation and consumption. To a large extent the national income is distributed through the State Budget.

Resources are brought to light and mobilised to the

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fullest possible extent with the help of financial plans and are utilised in accordance with the interests of the state as a whole. With the help of the financial plans and the budget, the Soviet state determines the size of the material and monetary resources that it can use during the period covered by the plan.

The balance in the population's money incomes and expenditures is used in planning the output of consumer goods, determining other resources to meet the requirements of the population, and establish the retail trade turnover.

By calculating the wage, pension and allowance funds and also the allocations for other payments to workers and employees and taking into account the money income of the peasants from the sale of agricultural produce, the state has the possibility of determining the demand of the population for goods and plan the size of the retail turnover in accordance with this demand.

The organization of a planned economy is called upon to ensure the planned, harmonious development of material production, which is, essentially, a continuous process.

This means that at each given moment the national economy as a whole and the individual enterprises and economic organisations must have plans that determine their current activity and their long-term development.

Long-term and current plans are drawn up in the Soviet Union. The long-term plans deal with the major problems of the economic policy of the Soviet state. The current(annual) plans provide for the successive fulfilment of the tasks set in the long-term plans and, at the same time, deal with individual tasks that arise out of the

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conditions in the given year. The combination of current and long-term plans make planning effective, purposeful and operative.

Planning of the national economy of the U.S.S.R. is built up on a combination of centralised state management of the economy with the broad creative initiative of local organs of administration, factories and mills, public organisations and individuals.

Some foreign economists argue that economic planning requires rigid centralisation, that a planned economy is incompatible with initiative and independence by local organs.

But arguments of this nature are only put up by persons who have a poor knowledge of our country or deliberately try to distort facts.

V.I. Lenin, founder of the Soviet state, said that "centralism, as understood in a really democratic sense, presupposes the first possibility in history of promoting the full and unhindered development not only of local features, but also of local initiative and a variety of ways, methods and means of advancing towards the common goal".

This proposition formulates the principle of democratic centralism, which is one of the basic principles of leadership and planning in the Soviet Union.

As applied to the organisation of planning, this means that the principal tasks and proportions in the development of the national economy on a nation-wide scale and in the separate Union republics are determined in the centre, while enterprises, economic organisations and republican organs are given broad initiative in drawing up detailed economic

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plans in conformity with local possibilities and conditions.

The system of drawing up plans is mainly as follows:

In conformity with the economic policy of the Soviet state, the planning organs of the U.S.S.R. jointly with the Union republics work out control figures--basic indices of economic development--which are communicated to the Economic Councils and other economic organisations and, through them, to enterprises and building projects. The latter, on the basis of these control figures, draw up detailed plans, which are discussed by the personnel of the enterprises concerned and are carried into effect after they are approved by higher bodies.

The plans of enterprises are used as a basis for drawing up the plans of the economic administrative regions and Union republics and, lastly, of the general state plan of economic development.

The way the 1959-65 Seven-Year Plan of Economic Development of the U.S.S.R. was drawn up can serve as an example to show how economic plans are drawn up on the basis of broad democracy. During the discussion of this plan there were more than 968,000 meetings all over the country and these were attended by more than 70 million people.

After plans are drawn up, discussed and approved they acquire the force of juridical laws that have to be fulfilled.

In the centre the Government of the U.S.S.R. has working bodies that draw up and check the fulfilment of plans. These include the State Economic Council, which draws up long-term plans, and the State Planning Committee whose functions are to draw up current plans. The activities of

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these bodies are co-ordinated by the Government of the U.S.S.R.

In the Union and Autonomous republics there are state planning committees under the governments of these republics, while in the territories, regions, towns and districts the planning committees are subordinated to local government bodies, that plan the development of economy in their territory. Economic Councils, enterprises, building and other economic organisations have planning boards or departments.

Such is the organisational structure of the planning bodies from top to bottom.

The organisation of planning and the management of economy are being uninterruptedly improved.

An important stage in this sphere was the reorganisation of the management of industry and construction that was undertaken in 1957.

The result of this reorganisation was that the departmental system under which enterprises were subordinated to central branch ministries was replaced by Economic Councils that direct industry and construction in the territory of the economic administrative regions and have the possibility of utilising the resources of these regions more rationally and fully, of organising a more correct specialisation by enterprises and of establishing close production ties between them.

The plans of economic development of the U.S.S.R. are drawn up in co-ordination with the plans of the other countries of the socialist camp, who are members of the Mutual-Aid Economic Council, a new international

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organisation set up in 1949 and functioning on principles of equality of its members. This co-ordination of our plans creates the conditions for broad specialisation and co-operation, eliminates superfluous duplication in industry, allows the potentialities and means of each country to be utilised economically and makes it possible effectively to tackle economic tasks that are beyond the powers of one country.

## III.

The Seven-Year Plan of Economic Development for 1959-65 was adopted in 1959. By that time the Soviet Union had a huge economic potential that allowed it to set new gigantic tasks in the further enhancement of the national economy and the welfare of the people.

The Seven-Year Plan ushers in the decisive stage in the peaceful competition between the economy of the U.S.S.R. and the economy of the U.S.A., which is the leading capitalist country of the world. Fulfilment of the Seven-Year Plan will bring the industry of the Soviet Union close to the level of output achieved in the U.S.A., while for a number of important indices, for example, iron and steel, cement, mineral fertilisers it will surpass that level.

Soviet economists have calculated that in 1965 Soviet industry as a whole will be producing almost as much as is being produced today by the industry in the U.S.A.

The Seven-Year Plan envisages the all-sided development of all branches of the national economy of the U.S.S.R.

Heavy industry is growing at a rapid rate and this is

ensuring the accelerated enlargement of the output of consumer goods, which is a feature of the Seven-Year Plan. With the total volume of industrial output scheduled to increase by 80 per cent during the Seven-Year Plan period, the output of the means of production will be increased by 85-88 per cent and of consumer goods by 62-65 per cent.

Exceptional attention is being paid to the further rise of agriculture in order to ensure a sharp increase in the output of farm produce. The Seven-Year Plan target is to increase the volume of agricultural production by 70 per cent.

The outlook for scientific and technical progress is very great in our country. The outstanding achievements that have already been scored by Soviet science and technology, achievements that have won world recognition, are enabling us to place huge forces of nature at the service of man, make his work lighter and considerably increase its productivity. The Seven-Year Plan envisages increasing labour productivity in industry by 45-50 per cent in terms of per worker, in building by 60-65 per cent, and in agriculture by approximately 100 per cent at the collective farms and by 60-65 per cent at the state farms, and, at the same time, it provides for a shorter working day.

The material facilities of a new technology are rapidly being enlarged. This is finding expression, in particular, in the priority growth of the power, chemical and engineering industries. With the total output of industrial production due to increase by 80 per cent under the Seven-Year Plan, the output of electric power will be



increased by more than 100 per cent, while the chemical industry will step up production approximately three times and the engineering industry by about two times.

Fundamental changes yielding a great saving of social labour and thereby accelerating the rates of our development are taking place in the structure of material production on the basis of technical progress and the enormous reserves of power and mineral resources that have been discovered.

New manufactures that conform with the present level of technology are continually appearing and energetically developed in industry. The metallurgical industry is going over to the production of the latest types of metal sections. Building is being industrialised and inefficient timber materials are being replaced by new building materials. In the development of power engineering priority has been given to the building of thermal power stations, which require relatively smaller capital investments per unit of installed capacity. The structure of the fuel balance is changing rapidly in favour of oil and gas, which are the cheapest fuels.

In the total volume of output of fuel, the share of oil and gas will rise from 31 per cent in 1958 to 51 per cent in 1965. A huge volume of work is being done in the machine-building industry to develop and promote the broad utilisation of new highly-productive machines, mechanisms and instruments and improve their technical, economic and operational properties.

In agriculture important changes are being introduced into the system of crop rotation and the

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structure of crop areas by replacing low-yielding crops with high-yielding crops.

A sweeping technical reconstruction is taking place in transport. Electric and diesel haulage, which is of decisive importance in ensuring the growing volume of transportation, is being introduced on all railways.

In 1958 electric and diesel locomotives accounted for 26 per cent of the freight turnover on the Soviet railways. In 1965 electric and diesel locomotives will be transporting 85-87 per cent of the freight on the railways.

It is difficult to give an exact estimating of the economic effect that these measures will have. But I can cite some figures that give an idea of their economic significance. For example, in the current seven-year period, the change-over from coal to gas and petroleum will save more than 12,500 million rubles. The replacement of steam engines by electric and diesel locomotives will allow reducing the coal consumption of the railway transport by 400 million tons in the course of seven years and reduce operational expenses by 4,500 million rubles.

A growth of material production and of labour productivity, envisaged by the Seven-Year Plan, will ensure an increase of 62-65 per cent in the national income during the seven-year period and a per capita rise of 40 per cent in the real incomes of industrial, office and other workers and of the peasants.

One can't help recollecting the fact that after the publication of the Seven-Year Plan some of foreign economists declared this plan to be a new propagandistic step and that the adopted plan does not conform to potentialities of the country.

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Today when three years of the Seven-Year Plan period have already passed nobody raises the question of whether the plan will be fulfilled or not.

In the period 1959-61 the average annual rate of increase of industrial output was not 8.3 per cent as was envisaged in the calculations for three years but 10 per cent. In the past three years approximately 19,000 million rubles' worth of goods were produced over and above the targets for these years set in the Seven-Year Plan.

In this period our above-plan output included about 2,000,000 tons of pig iron, more than 9,000,000 tons of steel, about 8,000,000 tons of rolled stock, 10,000,000 tons of petroleum, a considerable quantity of cement, fabrics, butter and furniture, a large number of tractors and other farm machines, shoes, radio receivers, TV sets, refrigerators and numerous other items for the national economy and the population.

In a number of key industries, for example, the ferrous metallurgical and machine-building industries, the level of production planned for the current year of 1962 has reached the level envisaged by the Seven-Year Plan for 1963. There are all grounds for considering that industry as a whole will likewise overfulfil the Seven-Year Plan .

The growth of production is accompanied by rapid scientific and technical progress.

The Soviet Government strives to provide the most favourable conditions for the creative activity of scientists, to bring science closer to production and to raise the importance of fundamental researches. In the

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U.S.S.R. major scientific work is, in effect, co-ordinated by plan on a nation-wide scale.

The allocations for scientific development in the U.S.S.R. for 1962 add up to 4,300 million rubles, which is almost five times greater than the sum that was spent for this purpose in 1950.

Extensive work has been done in the past few years to re-equip all branches of material production.

Giant thermal and hydroelectric power stations, fitted with the latest power equipment and means of automation have been built and placed in operation through the efforts of our scientists, engineers and workers. The most up-to-date automatic machine-tools, mechanisms and entire automatic production lines as well as electronic automatic regulating devices have been introduced into production. These achievements of science and technology enable us to automate production on a still bigger scale, secure a substantial increase in labour productivity and fundamentally change the very character of labour in the sphere of material production.

Improvement of the machinery and technology used in modern production is based on the widespread utilisation of electric power. The growth of speeds, temperatures, and pressures requires an increase in the consumption of electricity by industry. At the same time there is a steadily rising demand in the national economy for high-grade steel, non-ferrous and rare metals, and products of the chemical industry, for whose production a large quantity of electric power is consumed. Lastly, it

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is only through the broad use of electric power that it is possible to promote the over-all mechanisation and wide automation of production. Thus, electrification is the material basis of all technical progress and of increasing the technical means available to labour.

Towards the close of the Seven-Year Plan period the Soviet Union will be producing 500,000-520,000 million kilowatt-hours of electricity, while, compared with the 1958 level the installed capacity of the power stations will be more than doubled.

Power engineering is developing with particular speed in the Eastern areas. Kazakhstan alone now produces many times more electricity than all the power stations of Russia in 1913.

Extensive work is being done to build up a single power grid in the European part of the U.S.S.R. and in Central Siberia, and also to unite the power systems of the North-western and Western regions, the Transcaucasus, Kazakhstan and Central Asia.

A fundamentally new technical policy aimed at building big and highly economical thermal power stations has been adopted during the current seven-year period. None of the thermal power stations that were built during the post-war Five-Year Plan periods has a capacity of over 300,000-500,000 kilowatts, but the capacity of the thermal power stations that will be placed in operation in the immediate future will each have a capacity of 1,000,000-2,000,000 kilowatts and then 3,500,000-4,000,000 kilowatts.

There are enormous prospects for the building of hydropower stations as well. A cascade of mammoth hydropower

stations has been built on the Volga. Even larger hydropower stations are under construction on the Yenisei and Angara rivers in Siberia. Big hydropower stations are to be built in Kazakhstan and Central Asia.

At present the U.S.S.R. is building about 150 big thermal, atomic and hydraulic power stations with a total capacity of 120 million kilowatts. A large part of these projects are already operating.

An important task is to promote the rapid development of the machine-building industry, which, as you all know, determines the technical level of all branches of the national economy and decisively influences their economy.

In order to draw up the programme for the machine-building industry under the Seven-Year Plan our point of departure was that it had firstly to ensure all the enterprises under construction or reconstruction with the necessary technically modern equipment, secondly, to increase the number of highly productive machines at the factories and mills in operation and, thirdly, sharply to increase the output of the means of mechanisation, primarily for those branches of the national economy where manual labour still occupies a considerable place.

In the U.S.S.R. much has already been done to mechanise labour. Naturally, the most arduous and difficult operations were mechanised first. The task now is to further the comprehensive mechanisation and automation of production processes.

We intend to complete the comprehensive mechanisation of industry, agriculture, transport and communal services already within the next ten years. This

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will eliminate manual loading and unloading and exclude heavy labour in basic and auxiliary production operations.

The next step will be the comprehensive automation of production on a big scale with an increasing transition to automated factory departments and entire factories with a high level of technical and economic efficiency.

Today there is no branch of the national economy that can develop without chemistry.

In the past three years the output of chemicals in the U.S.S.R. has increased by 50 per cent, while a particularly large increase has been registered by the output of new, cheap synthetic materials whose operational qualities are much superior to those of natural materials. At the same time chemistry is becoming an important source of raw materials for the production of fabrics, clothes, shoes and articles of household use.

In the past three years the state has invested more money into the chemical industry than in the preceding seven years. This has made it possible to put in operation dozens of new factories, build powerful chemical industries in the Volga Area, Bashkiria, the North Caucasus and Azerbaijan, and to begin the rapid construction of big plants and combines in Central Asia, Siberia, Altai Territory and Byelorussia which will start production in the near future.

Important tasks are being carried out in the current Seven-Year Plan period in the development of other branches of the national economy.

It goes without saying that huge capital investments are required in order to fulfil these tasks. In the seven-

-year period nearly 200,000 million rubles will be invested in the national economy by the state alone. This is more than the sum that was invested in the national economy in the entire period following the Revolution.

Nearly 3,000 big new state industrial enterprises went into operation in the period 1959-61. They include such giants as the Lenin and Twenty-Second Congress of the C.P.S.U. hydropower stations on the Volga, the Karaganda and Kuibyshev metallurgical plants, the huge ore-concentrating combines in the Ukraine, Kazakhstan and near the deposits of the Kursk magnetic anomaly, the oil-refineries in Irkutsk and Ferghana, the artificial fibre plants in Ryazan, Kursk and Engels, and many machine-building, and cement plants, sugar refineries and textile mills.

There are now big building reserves in all branches of the national economy and this is making it possible to place in operation thousands of new enterprises in the immediate future. In order to accelerate the placing of these enterprises into operation, capital investments are being concentrated first and foremost on the most important projects and also projects that are almost completed.

Consumption is growing systematically in the Soviet Union.

As economic development proceeds ever greater allocations are being directed by the state to enlarge the output of consumer goods, step up housing construction and develop public education and public health.

The Soviet Government considers increasing the welfare of the people as its central task and therefore



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devotes much attention to agriculture.

Among the measures that were taken in recent years to step up agricultural production, a very important role was played by the ploughing up of 42 million hectares of virgin and disused land. This was a difficult task. New settlements, large production premises, roads, dwellings and cultural and everyday services premises had to be built within a short span of time in order to provide the necessary conditions for the hundreds of thousands of people who came to the sparsely inhabited steppe regions of Kazakhstan, Siberia and other areas from other parts of the country. The undertaking proved to be economically justified. The marketable grain alone not only repaid the state all the investments that it made into the agriculture of the newly-developed areas but also gave a net income of 3,200 million rubles.

In stepping up the output of farm products of very great importance were also the measures that were taken with the aim to give the collective farmers a greater incentive in the results of their work; to develop a powerful material and technical base; to decisively improve the utilisation of the land and of the technique, and to increase efficacy of the organisation of labour.

Having this in view, the procurement prices of farm products, - meat and milk, in particular, - have been substantially increased, and at the same time prices for agricultural machinery, building materials and other goods of production use in the countryside have been <sup>considerably</sup> reduced.

All this has had a beneficial effect on the economy of agricultural production. The total grain output in the U.S.S.R. has now reached 128-136 million tons a year. In the past four years the cattle population has increased by 15 million head and the pig population by 22 million head.

The rate of growth of the output of farm products is, however, still lagging behind the rate of industrial development and the growing requirements of the population. The immediate task, therefore, is to achieve a sharp increase in the output of grain, meat, milk and other products within the next few years and thereby create an abundance of foodstuffs and agricultural raw material. We <sup>are</sup> confident that this is a practicable task. The principal thing here is to make correct use of the land on the basis of a reorganised pattern of crop areas, increasing the efficiency of farming, successively intensifying agriculture, comprehensively mechanising production processes in crop farming and animal husbandry and broadly disseminating advanced experience and the achievements of science.

The experience of many collective farms, districts and entire regions that have grown bumper harvests and attained high indices in livestock productivity makes us confident that the Seven-Year Plan will be fulfilled in agriculture as well.

All the measures aimed at raising the living standard of our people are based on the high rate of growth of the national income.

The real incomes of industrial, office and other workers and also of the peasants are increasing on this basis. The basic trend in increasing the population's

real incomes is now following three main directions, which are:

Firstly, that wages and salaries are being increased. Wages and salaries have in the past few years been regulated in industry, construction, transport and other branches of the national economy with the result that nearly 40 million people or two-thirds of the industrial, office and other workers employed in the national economy have been switched to new terms of payment for labour.

The aim of this measure was chiefly to establish a more correct ratio in the wages and salaries of people engaged in various trades, professions and branches of the national economy. Most of the 4,000 million rubles that the state has spent on this purpose were directed towards raising the wage level of workers in the relatively low-paid groups.

Secondly, income taxes are being successively lowered. The Government of the U.S.S.R. has passed a decision to abolish all income taxes as from October 1, 1965. Two stages of this measure have already been passed as a result of which the real incomes of the population have increased by 800 million rubles annually.

Thirdly, public consumption funds are being systematically increased. Through these funds the population of the U.S.S.R. satisfies a large portion of its material and cultural requirements. State insurance covers nearly 20 million pensioners, state scholarship grants are received by about 4 million students, and more than 7 million working people and their children annually

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spend their holidays and vacations at health or holiday homes, and in Young Pioneer camps at the expense of social insurance funds and the collective farms. About 7 million mothers receive allowances.

Last year the payments and allowances to the population out of public funds came to more than 26,000 million rubles. It is planned not only systematically to increase the absolute sum of these payments and allowances but also to increase their share in the total consumption fund of the population.

In characterising the living standard of our people and the steps the Government is taking to raise that standard, emphasis must also be made on the fact that the Soviet Union is ahead of many countries for the birth-rate and has the lowest death-rate in the world. This is ensuring a rapid growth of the population of our country, including its able-bodied portion. In spite of this, there is no problem of employment by us. The right to work is guaranteed by the Constitution of the U.S.S.R. This right is ensured by the high rates of development of the national economy and also the planned distribution of production in which account is taken of each district's manpower resources.

In recent years the working day has been shortened to seven and six hours for industrial, office and other workers in all branches of the national economy. Many of you probably know that far from being accompanied by a reduction in wages and salaries, this step has brought with it an increase in wages and salaries.

The Soviet state is spending huge sums of money to promote culture, public education and public health. The 1959 census showed that almost 59 million people or 30

per cent of the population have a higher or secondary education.

More than 52 million people are at present studying (this includes preparatory and refresher courses for industrial, office and other workers directly at their place of work). In other words every fourth citizen of the U.S.S.R. is studying.

The number of boarding schools is growing rapidly. These schools are attended by nearly a million children, while towards the end of the Seven-Year Plan period this number will be considerably increased.

Extended-day schools are becoming widespread in the Soviet Union side by side with boarding schools. They have quickly won deserved recognition in the country. These schools give enrolment priority to children of working parents, and provide facilities that keep children busy to six or eight o'clock in the evening.

In extended-day schools and groups children are served meals for a small cost. By decision of the Executive Committees of local Soviets of Working People's Deputies, parents with a relatively low wage are not required to pay for these meals.

In the U.S.S.R. health protection is an important state concern. There are 1,236,000 doctors in the world, and more than a quarter of these live and work in the U.S.S.R.

All industrial, office and other workers pay nothing for medical attention. In the event of illness they are paid a temporary disability allowance which comes to

90 per cent of their wage.

Seven-Year Plan provides for measures aimed at improving working conditions and organising the recreation of the people. Large sums of money have been allocated for the building of new health and holiday homes, boarding houses and other spa establishments.

In the U.S.S.R. every effort is being made to satisfy the housing requirements of the people as quickly as possible. State allocations for housing construction exceed 5,500 million rubles a year, which is about half the annual capital investments into heavy industry. Modern dwellings with a total floor space of 367 million square metres have been built in the U.S.S.R. in the past five years (excluding housing construction in the collective farms). Nearly 50 million people have received new apartments.

As you all know, the Soviet Union is a multi-national country. Naturally, the correct development of national relations is of great importance in planning the national economy and culture. The Soviet state has succeeded in resolving the national question and achieving actual equality of all peoples in all spheres of public life. An important task of the Seven-Year Plan is correctly to distribute the productive forces in order to achieve the greatest economic effect and ensure a rise of the economy and culture of all the republics in the Soviet Union.

Data concerning the Kazakh Soviet Republic can be cited to illustrate this.

Prior to the Revolution, Kazakhstan was one of the most backward colonies, a market for the sale of goods and a

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source of raw materials for Russia's industry. The tremendous natural wealth of Kazakhstan remained unexplored. The mining industry consisted of small mines. Most of the population of Kazakhstan were nomad herders. More than 92 per cent of the population were engaged in primitive pasturage agriculture.

During Soviet years Kazakhstan became a big industrial republic with a high level of culture.

The Kazakh republic occupies a leading place in the U.S.S.R. for its reserves of chromium, phosphorites, lead, zinc, copper, iron ore, coal, manganese, molybdenum, nickel, and other key minerals.

It has 26,000 factories and mills, one of the largest coal industries in the country, modern metallurgical plants, power stations and enterprises of the chemical, machine-building, light and food industries. Compared with 1913, the total industrial output of Kazakhstan has increased by more than 60 times.

In the past few years more than 23 million hectares of fertile land have been ploughed up in the republic, with the result that it now occupies second place in the U.S.S.R. for the output of marketable grain.

The Karaganda Metallurgical Combine, which will have better equipment than the best metallurgical plants in the U.S.A., is under construction. The Sokolov-Sarbai Ore-Concentrating Combine, one of the largest in the Soviet Union, is being placed in operation in Kustanai Region.

Non-ferrous metallurgy and the machine-building and chemical industries are to be further developed. By 1965 Kazakhstan will be one of the biggest producers of mineral fertilisers. The Great Kara-Tau Mining-Chemical Combine for the production of phosphorites will be completed.

Many scientific, cultural and public health establishments are being built. The Academy of Sciences of Kazakhstan has started building an Institutè of Nuclear Physics.

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The outlook for the further development of the Soviet Union's economy is very great. It is outlined in the Programme of the Party adopted at the Twenty-Second Congress of the C.P.S.U. Fundamental changes will take place in all spheres of the life and activity of the Soviet people in the course of the next twenty years. The volume of industrial output will increase by more than six times and of agricultural output by 3.5 times.

In planning such a far-reaching programme of development of the productive forces, the Soviet Government's point of departure was that it will enable the country to create an abundance of material and cultural blessings for the people, to give people the highest living standard in the world.

~~Allow me to end here.~~

Thank you for your attention.



  
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LONG-TERM CREDITING AND FINANCING OF INVESTMENTS  
IN THE USSR


In the 44 years that have elapsed since the Great October Socialist Revolution, of which nearly 20 years were taken up by wars forced upon the Soviet people and by post-war economic rehabilitation, the USSR, once an economically backward agrarian country, has become a mighty socialist industrial power with a developed, large-scale agriculture, and advanced culture and a high standard of living among all its peoples, including the peoples of the formerly especially backward outskirts of tsarist Russia.

These years have witnessed the rise of many new modern branches of industry, the achievement of impressive successes in science and technology, which have ensured world leadership in space exploration, the utilisation of atomic power for peaceful purposes and the indestructible might of the Soviet state.

More than 37,000 newly-built or restored large state industrial enterprises, not counting medium and small enterprises as well as enterprises run by the collective farms and co-operative organisations were put in operation in the USSR in the period 1918-1961. In addition, a large number of state industrial enterprises were completely reconstructed. Agriculture has been supplied with more than 3,500,000 tractors (in terms of 15 h.p. units) and 900,000 harvester combines; tens of millions of hectares of new land have been developed; the operational length of the railways has been increased by nearly 80 per cent; and more than half the freight turnover is now accounted for by electric and diesel haulage. The dwelling houses built in the towns in this period have a total floor space of nearly 880 million square metres.

The production capacities that are being put in operation and the housing space being opened for tenancy are increasing from year to year. For example, compared with the 15 pre-war years 1926-1940, the production capacities placed in operation in the 15-year post-war period 1946-1960 showed the following increases: output of pig iron and steel 2.3 times, iron ore 4.5 times, power stations 5.8 times, cement 7.1 times, refined sugar 9.9 times, leather footwear 2.1 times and housing space 4.1 times.

Housing development has been proceeding at a particularly rapid rate in recent years. In the five-year period 1951-1955 housing construction in the towns averaged 30,400,000 square metres a year, in the period 1956-1960 it averaged 65,500,000 square metres a year, while in 1961 it totalled more than 80,000,000 square metres. In terms of per 1,000 of the population, over two times more housing is now being built in the USSR than in the USA, Great Britain, France or

  
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LONG-TERM CREDITING AND FINANCING OF INVESTMENTS  
IN THE USSR

In the 44 years that have elapsed since the Great October Socialist Revolution, of which nearly 20 years were taken up by wars forced upon the Soviet people and by post-war economic rehabilitation, the USSR, once an economically backward agrarian country, has become a mighty socialist industrial power with a developed, large-scale agriculture, and advanced culture and a high standard of living among all its peoples, including the peoples of the formerly especially backward outskirts of tsarist Russia.

These years have witnessed the rise of many new modern branches of industry, the achievement of impressive successes in science and technology, which have ensured world leadership in space exploration, the utilisation of atomic power for peaceful purposes and the indestructible might of the Soviet state.

More than 37,000 newly-built or restored large state industrial enterprises, not counting medium and small enterprises as well as enterprises run by the collective farms and co-operative organisations were put in operation in the USSR in the period 1918-1961. In addition, a large number of state industrial enterprises were completely reconstructed. Agriculture has been supplied with more than 3,500,000 tractors (in terms of 15 h.p. units) and 900,000 harvester combines; tens of millions of hectares of new land have been developed; the operational length of the railways has been increased by nearly 80 per cent; and more than half the freight turnover is now accounted for by electric and diesel haulage. The dwelling houses built in the towns in this period have a total floor space of nearly 880 million square metres.

The production capacities that are being put in operation and the housing space being opened for tenancy are increasing from year to year. For example, compared with the 15 pre-war years 1926-1940, the production capacities placed in operation in the 15-year post-war period 1946-1960 showed the following increases: output of pig iron and steel 2.3 times, iron ore 4.5 times, power stations 5.8 times, cement 7.1 times, refined sugar 9.9 times, leather footwear 2.1 times and housing space 4.1 times.

Housing development has been proceeding at a particularly rapid rate in recent years. In the five-year period 1951-1955 housing construction in the towns averaged 30,400,000 square metres a year, in the period 1956-1960 it averaged 65,500,000 square metres a year, while in 1961 it totalled more than 80,000,000 square metres. In terms of per 1,000 of the population, over two times more housing is now being built in the USSR than in the USA, Great Britain, France or

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Italy.

In 1960, despite the tremendous destruction that was wrought in the USSR during the Second World War, the basic funds were six times greater than in 1928: production funds rose eight-fold ( of these, in industry and construction-- 37 times) and non-production funds increased 4.5 times ( of these, housing--3.7 times).

For the physical size of basic production funds, the USSR has left all the European capitalist countries far behind. The tremendous increase and the great qualitative changes of the basic production and non-production funds are due to the advantages of the socialist system of planned economy, which makes it possible uninterruptedly to increase the volume of capital investments and utilize them with the greatest efficacy and, at the same time , systematically improve the people's standard of living.

The USSR has far outstripped the capitalist countries for the rate of growth of capital investments. For example, in the period 1951-1960, the average annual increase in capital investments was: in the USSR 12.7 per cent, in the USA 1.9 per cent, in Great Britain and France 5 per cent. In recent years, the physical size of the capital investments in industry, agriculture and housing has likewise been bigger in the USSR than in the USA. The capital invested in the USSR in the period 1918-1961 totalled 370,000 million rubles.

The huge volume of capital investments, drawn from domestic sources, became possible thanks to the exceptionally high rates of growth of the national income, which belongs to the whole people. In 1960, compared with 1913, the national income in the USSR ( within the present boundaries) increased 23 times, while in the USA it increased 3.6 times, and in Great Britain and France the increase was just more than double. In terms of per head of population the increase was: in the USSR 17 times, in the USA 1.9 times, in Great Britain 1.8 times and in France 1.9 times, i.e., the rates of growth of the national income in the USSR are higher than the rates of growth of the national income in the USA, Great Britain and France as a whole by approximately 9 times, although the physical volume of the national income in the USSR is at present about 60 per cent of the volume of the national income in the USA.

It must be noted that in the USSR the national income is growing continuously, while in the capitalist countries it grows spasmodically.

In the USSR the exceptionally high rates of growth of the national income, which belongs to the people, allows making large capital investments side by side with the considerable growth of the real incomes of the workers and peasants. In 1960, compared with 1913, the real incomes of workers in industry and construction(after deduction of income taxes and taking into account pensions,allowances, free tuition and medical attention, and other grants and privileges paid for by the state) increased 4 times, and if the abolition of unemployment and

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the shortening of the working day is taken into account they increased 5.8 times, while the incomes of the peasants in cash and kind increased 6 times.

Public ownership of the land and other means of production and, on this basis, the planned development of the national economy allow siting industry and directing funds in the most rational manner, and fully utilising production capacities, thereby ensuring the greatest efficacy of capital investments, which manifests itself, first and foremost, in a huge growth of output. In 1960, compared with 1913, the volume of industrial output increased 45 times, while the output of the machine-building and metal-working industries increased more than 300 times.

As N.S. Khrushchov, Head of the Soviet Government, stated in his report to the Twenty-Second Congress of the C.P.S.U. in 1960-1980 the volume of capital investments will add up to approximately 2 trillion rubles. In this period, the country's basic production funds will increase five-fold and the housing resources three-fold. The Soviet Union will have the world's biggest, youngest and most modern production apparatus in the world.

The huge programme of capital investments, envisaged for the next twenty years, whose fulfilment will be accompanied by a steady improvement in the material conditions of the life of the people, whose standard of living will be higher than in any capitalist country, is quite feasible. This is shown in particular, by the figures for the rates of growth of capital investments and the national income in the past few years. In the five-year period 1956-1960, the capital investments totalled 150,000 million rubles, increasing by 80 per cent as compared with the preceding five-year period.

The immense capital investments being made in the USSR required and continue to require large domestic financial resources and the development and implementation of a system of granting funds and controlling the thrifty utilisation of these funds, which will facilitate to the utmost the measures aimed at rapidly increasing production capacities and the country's basic funds as envisaged in the economic development plans.

The system of financing and crediting capital investments and also the organisation of the banks providing the necessary funds are being developed and improved side by side with the development of Soviet economy and the improvement of the methods of planning it.

At present, the financing and long-term crediting of the main body of capital investments in production projects as well as in cultural, everyday service and housing projects in the towns are handled by the All-Union Bank for Financing Capital Investments, (known as the Stroibank of the USSR). A part of the capital investments--primarily the capital investments in agriculture--are financed and credited by the State Bank. The latter also extends long-term credits for housing construction in the countryside and certain capital investments of state enterprises, chiefly for expenditures involved in introducing new technology.

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Like the State Bank of the USSR the Stroibank is directly under the jurisdiction of the Council of Ministers of the USSR. The Stroibank is a special banking institution, which exercises state financial control over capital investments.

It carries out all its operations through a network of offices, branches and authorised agents at the State Bank's branches.

The State Bank, which is the only note-issue and cash centre in the country, acts as cashier of the clients of the Stroibank.

The principal content and tasks of the Stroibank ( and of the State Bank with regard to the financing and crediting of capital investments) are to control the use of capital investments, the fulfilment of the plans of capital construction and of the work involved in putting projects in operation and in reducing the cost of building and assembly work, the mobilisation of inner reserves, the timely receipt from enterprises and economic organisations of funds earmarked for financing capital investments, the observance of estimate, plan and financial discipline and the strengthening of "Khozraschet" in construction.

The system of financing and crediting capital investments in operation in the USSR is directed towards the fulfilment of these tasks and is founded on the following main principles.

Like the capital investments themselves, the sources from which they are financed bear a planned character. Provision is made for them in the State Budget, which is the fundamental financial plan of the formation and utilisation of the general state fund of monetary resources of the Soviet Union-- and in financial plan (income and expenditure balances) of state enterprises, Economic Councils, ministries and departments. The sources of financing state capital investments are budgetary funds and the funds of enterprises and organisations directed into capital investments. These include, chiefly, depreciation deductions and profits. \*

The correlation of the various sources of financing capital investments--budgetary allocations, depreciation deductions and profits--was dissimilar in the different branches of the national economy and at the different periods of development of Soviet economy. However, in the national economy as a whole, budgetary allocations were and continue to be the main source of financing state capital investments. In recent years the share of these allocations came to about 70 per cent of all the sources, while the rest consisted of profits and depreciation deductions. Here it must be borne in mind that the plan of capital investments makes no provision for expenditures on capital repairs, while the composition of the sources of financing capital investments only provides for a part of the

\* A small part of the capital investments, at the expense of special sources such as credit resources, may be made over and above the state plan.

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depreciation deductions, i.e., the share earmarked for capital repairs is deducted.

The combination of budgetary allocations and the own funds of enterprises (profits, depreciation) in the composition of the sources of financing capital investments on the one hand provides a firm financial basis for capital investments and, on the other, stimulates the fulfilment of the plan of monetary accumulation by enterprises.

In the composition of the sources of financing capital investments directed towards expanding and reconstructing industrial enterprises, the share of enterprises' own funds comes to 40-50 per cent and more. The share of budgetary allocations is very high in the sources of financing capital investments directed towards the building of new industrial enterprises and enterprises in other branches of the national economy.

All the funds earmarked for financing capital investments are concentrated in the bank, which carries on its activities in this field within the limits provided for in the plan of budgetary allocations, and as the own funds of enterprises and economic organisations are received. The procedure by which the bank extends funds for capital investments is uniform and does not depend on the composition of the sources of financing.

The bank only provides funds for expenses on the building of new and the enlargement or reconstruction of operating enterprises as envisaged in the plan.

The drawing up of plans begins at the lowest level--at the enterprises. The name list of projects is established depending on their economic importance, estimated cost and subordination.

Banks take an active part in examining draft plans of capital investments drawn up by individual enterprises, Economic Councils, ministries and departments and also by planning bodies for an entire economic region, a republic and the Soviet Union as a whole. The purpose of this participation is to help achieve the most rational direction of capital investments, including for projects ensured with economic designs and estimate documents, for the completion of the building of projects in the time-table set in the plan, and for reducing the volume of uncompleted work.

After the annual plan of economic development (including the plan of capital investments, which is one of its components), the State Budget and the financial plans (income and expenditure balances) of the Economic Councils, ministries and departments are approved, the Ministry of Finances of the USSR, the ministries of finances of the Union republics and the local financial bodies notify the bank's branches of the financing plan as a whole for each Economic Council, ministry and department and indicate the composition and size of the sources.

The Economic Councils, ministries and departments notify the bank's offices of the plans of capital investments and the financing plans for each of the projects and

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enterprises subordinated to them. After checking the figures in the submitted documents against the indices of the economic development plan and also the financing plans received from financial bodies, the bank's offices send the bank's branches sited in the locality of projects and enterprises the plans of capital construction, of the utilisation of basis funds, and of financing as established for them.

Expanding on the plans of capital investments established for them, enterprises and building projects draw up project title lists, indicating the estimated costs of the projected jobs and of putting the projects into operation and, together with data on the approval of the project and estimate documentation (in the case of new projects), these are sent to the bank by the organisation being financed by it. After checking the documents presented to it by the projects and the conformity of the indices in the project title lists with the provisions of the plans of capital work and the timetable of construction, the latter begins the financing of the projects.

Thus is achieved a planned, purposeful use of funds appropriated for capital investments. It should be noted that the bank extends funds directly to those enterprises and organisations for which plans of capital investments have been established.

Designs and estimates of construction are a necessary condition for including projects in the title lists and for financing them.

Design and estimate documents are carefully examined in order to ensure a high economic efficacy of capital investments and to make sure that the latest achievements of science and technology have been taken into account in the designs. Construction by standard projects is acquiring increasing importance in the USSR. At present standard designs are used for most housing, cultural, everyday service and agricultural projects. Standard designing is becoming rapidly widespread in industrial construction.

The banks see to it that projects have all the necessary design and estimate documents effect selective checking of the economic efficacy of the designs, the observance of the established expenditure norms during the drawing up of estimate documents, and finance and credit projects within limits of the estimated costs.

Funds for capital investments are extended by the bank as non-repayable grants ( i.e., without obligations to the bank to repay them within a certain period) and a. loans that are repayable within different, stipulated periods. Various procedures for granting funds for capital investments predominated at the different stages of development of Soviet economy. In the period from the thirties to the present non-repayable financing of the plans of state capital investments has been the predominant procedure. In the past few years, there has been a considerable increase in the volume of credits extended by the State Bank and the StroiBank chiefly to operating state enterprises for above-plan capital investments connected with the introduction of new technology and with measures aimed at stepping up the output of consumer

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goods, foodstuffs and articles of household use, and at improving the cultural and everyday services for the population. The funds for capital investments by collective farms, the co-operatives and working people, chiefly for individual house construction, were and continue to be extended solely as long-term credits.

The possibility of financing state capital investments on a non-repayable basis is due to public ownership of the basic funds created through capital investments, and of the monetary accumulations that are received in the process of utilising these basic funds. This makes for the fullest possible concentration of the monetary accumulations of state enterprises in the State Budget and for the utilisation of these accumulations primarily for the building of new enterprises of the heavy industry, which require enormous investments that are not returned for a long time.

It must be emphasised that the non-repayable character of state capital investments in the basic funds of production should not be understood in its absolute meaning. Monies invested in the production funds of the national economy facilitate the growth of production, and the rise of labour productivity, and, on this basis, the growth of monetary accumulations. These accumulations are partly channeled into the State Budget, while the bulk remains at the disposal of enterprises concerned, - which are the property of the socialist state, - and is used by these enterprises for purposes provided for in the plan.

The recently achieved sharp reduction in the time required to build, reconstruct or enlarge state enterprises and the faster return of the corresponding capital investments make it expedient to apply the repayable (credit) methods of extending funds to planned capital investments on an ever bigger scale.

The collective farms are making large capital investments. In the period 1918-1960 these investments amounted to 28,000 million rubles. In the past few years, the annual volume of capital investments by the collective farms has been adding to more than 3,000 million rubles. Most of the capital investments of the collective farms are made from their own funds organised in specially-created non-distributable assets. The state helps the collective farms to make capital investments by granting them long-term loans, which have in recent years been amounting to more than 700-800 million rubles a year.

The circumstance that collective farms (and the co-operative organisations) are only granted repayable (credit) funds for capital investments is due to the fact that they



are found on a group (and not public) form of ownership.

Capital investments are financed and credited to the extent of the actual fulfilment of the plans of capital investments and of the tasks of placing projects into operation. Funds are extended by the banks in the process of settlements, mainly non-cash, authorised by the borrower and controlled by the bank.

The procedure of granting funds is determined first and foremost by the manner in which construction is carried on-- by contractors, i.e., by special permanently functioning building and assembly organisations working under contract with clients, or by the economic method, i.e., by the manpower and means of the enterprises engaged in production.

The advantages of the contractor method of construction is that it allows training and making the best use of builders and assemblymen and opens up the possibility of effectively utilising building machinery and prefabricated structures and other building elements, and establishing "Khozraschet" relations between contractors and clients (providing for the procedure of settlements and mutual material responsibility in the event the terms of the contracts are violated.) This has helped to make the contractor method widespread and to organise a large number of contracting, general building and specialised organisations. At present more than 85 per cent of the building and assembly work in the country is done by contracting organisations.

The procedure of settling payments and of financing expenditures for building and assembly carried out under the contractor method depends on the volume of the work, the building time-table and the branch of economy in which the work is being done. Expenditures on projects, where the volume of building and assembly is not big, are financed after the work has been finished and the project can be put in operation. In such cases no intermediate settlements are made. This procedure of settlement and financing gives the contracting organisations a material incentive to complete all jobs in the shortest possible time.

In the case of larger projects, partial payment for work is permitted to the extent of the progress that is made.

Enlarged settlements and financing are now becoming more and more widespread.

The volume and estimated cost of the actual work done is indicated in certificates and protocols periodically drawn up and signed by the clients and contracting organisations. These documents together with the bill are presented to the bank, which by instructions of the client and after a check extends the necessary funds and credits the settlement account of the contracting organisation. The bank checks the protocol on the fulfilment of the plan both as a preliminary and as a subsequent measure.

As a preliminary measure, the bank checks if the jobs included in the title lists have been carried out and if they

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have been supplied with approved design and estimate documents, if the estimate valuations have been applied, and whether the cost of the completed jobs has not exceeded the estimated cost.

As a subsequent measure the bank takes control measurements and checks if the volume of the completed jobs has been correctly indicated in the protocols and if the estimated valuations have been correctly applied.

This control, particularly with regard to big projects whose construction continues over a long period, promotes the purposeful utilisation of funds.

In all cases, final settlements are made, with account of the sums paid out earlier, after all the jobs in a project have been completed. These settlements are made against estimates drawn up on the basis of working drawings. Therefore, if with the agreement of the client the contracting organisation undertakes rationalisation measures (replacement of materials, changes in structures and so on) that at the same time ensure the required quality of the work, it will, proceeding from the full estimated cost of the job, as provided for in the working drawings, receive means that give it an additional profit, a part of which can be used for the creation of an encouragement fund. This procedure of settlements and financing gives contracting organisations the incentive to develop rationalisation measures and reduce the cost of building and assembly work.

As regard construction carried out by <sup>the</sup> economic method the order of financing it depends on the volume of the work at these building sites and operating enterprises. Capital construction departments (at operating enterprises) or building managements (at new building projects) are set up if the volume of the work is large. In this case, funds are extended under the same procedure as for construction by contractors--to the extent the work is fulfilled. At small projects, building and assembly is financed in accordance with individual elements of expenditure--i.e., by extending funds to pay for building materials, constructions, wages and so forth.

A similar procedure is followed in granting state enterprises funds in the form of credits. If credits are required for capital investments not provided for in the state plan of economic development, the borrowers present to the bank the computations of the efficacy and repayability of the expenses, and on the basis of an analysis of these computations the bank establishes the expediency of granting credits and the period in which they must be repaid.

In the structure of capital investments in industry, a large portion (at present more than 40 per cent) is occupied by expenditures on equipment. Bank credits, which are repayable (after the equipment is installed) through funds earmarked capital investments in the corresponding projects, are granted for the purchase of Soviet-made and imported large-scale technological and power equipment.

The procedure of financing capital investments in housing construction has its own features, which are to a large

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extent linked up with the industrialisation of construction, prefabrication, the use of standard designs and the price list.

Housing construction in towns, districts and town-type settlements in conformity with standard designs is financed in accordance with price lists separately for underground and surface work. Underground work is financed in such a way that 50 per cent of the estimated cost of this work is paid out after the work is completed. Surface work is paid for and financed in conformity with the technical readiness of enlarged structural elements within limits of 95 per cent of the price list cost, and the final settlement is made after the house in question is completed.

In recent years, this procedure of settlement and financing has been applied to a number of production, cultural and everyday service projects.

The order of settling for and financing housing constructing by house-building combines is somewhat different. These combines not only manufacture large building elements in factory conditions but also install them with their own manpower after the underground work has been completed.

When houses are built by house-building combines, the underground work is financed in accordance with the procedure described above, while all the other jobs are financed after the work is completed and the house is ready for occupancy.

Thus, in recent years, the practice is becoming more and more widespread of financing (and crediting) expenditures on finished projects ready to be placed in operation, this being closely linked up with the fundamental changes in the technology and speed of construction.

At the same time, much attention is being given to the granting of short-term credits to contracting organisations, chiefly in connection with seasonal requirements. These organisations receive credits on the same footing as industrial enterprises, the credits being planned, purposeful, repayable on a certain fixed date and given security.

The Stroi bank and the State Bank control the cost of building and assembly, particularly the expenditures on wages.

The system by which contracting organisations are financed and credited depends on the results of their work. This differentiated approach is based not only on the information available to the bank but chiefly on an analysis of reports on projects and contracting organisations and on-the-spot inspections.

Long-term crediting of collective farms for capital investments has certain features of its own. The objects of credit are, chiefly, expenditures for the promotion of common

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livestock breeding (for the building of livestock premises, the mechanisation of livestock farms and the purchase of livestock), for the purchase of farm machinery, for the building of power stations, and for electrification and radiofication. The extreme time limits for the repayment of loans are different and depend on what the loans have been received for, but the maximum is 15 years. The concrete dates of repayment are established with account taken of the financial position of the collective farm concerned. In addition to extreme dates, the initial dates (which are also differentiated) are established in such a way as to give collective farms the possibility, as a result of the measures taken with the aid of long-term credits, to receive a profit that can be directed towards the repayment of loans. Long-term loans are granted for capital investments by separate collective farms and also by groups of collective farms (the building of inter-collective-farm power stations, enterprises producing building materials or processing farm produce, the setting up of inter-collective-farm building organisations, and so on). Long-term credits are granted for capital investments to organisations of the consumers' co-operatives, and up to the close of 1960 they were granted to the producer's co-operatives.

Long-term credits for capital investments are granted to collective farms and co-operative organisations by the State Bank of the USSR.

In addition, the State Bank and the Stroi bank extend credits to workers, engineers, technicians, office employees, teachers, doctors and, in a number of cases, to collective farmers and other groups of working people for individual housing construction, for the purchase of household articles, and so on.

Credits for individual housing construction by workers and employees of self-supporting ("Khozraschet") enterprises are extended through these enterprises. Borrowers participate in the building of homes with their own money and personal labour and also with the labour of members of their families. The credit requirements of individual workers and employees are established (within definite limits) by the heads of enterprises and by the trade unions.

Long-term credits are extended by the State Bank and the Stroi bank on the basis of long-term credit plans approved by the Government of the USSR and making provision both for the direction of funds in accordance with the principal groups of borrowers and projects and of the sources of credit. The latter include the special funds of banks, sums received in repayment for earlier credits and, to a large extent, budgetary funds. This structure of the credit plans (drawn up separately from the plans of short-term credit transactions) makes it possible to separate resources earmarked for long-term credit from short-term resources and to follow the fulfilment of the credit plan.


Thus, uninterruptedly improving the methods of financing and crediting and systematically improving and

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developing their economic work, the banks through control by the ruble actively help to make the most efficient use of the means directed into capital investments, to speed up the completing of the latest and most economical production capacities and basic funds. They thereby assist in creating the material and technical basis of communism, in abolishing the housing shortage and in ensuring the people of the Soviet Union with the highest standard of living compared with any capitalist country.

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PLANNING OF MONEY CIRCULATION AND CREDIT  
IN THE USSR

Planning credit and money circulation in the USSR is a component of the over-all system of economic planning. Just like the entire system of economic planning, it is subordinated to the principal task of our society, which is successfully to build communism.

The classics of Marxism-Leninism teach and the experience of our country confirms that credit, money and all the other economic instruments and categories will be necessary for the entire period of building communism. In the first phase of communist society, i.e., under socialism, despite the rapid rates of growth, social production does not reach a level of development that can ensure an abundance of consumer goods for distribution to members of society according to requirements. That is why, in a socialist society there must be the strictest accounting and control by the state over the measure of labour and the measure of consumption, which is only possible in terms of value, with the aid of money.

In connection with this, much attention is paid in the USSR to the proper organisation of credit and of the circulation of money and, in particular, to the planning of credit and of the circulation of money.



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## 1. Organisation of Credit Planning

The State Bank of the USSR is the centre of short-term credit for all branches of the country's national economy. In addition, at the expense of resources specially apportioned for this purpose, it handles operations with regard to the extension of long-term credits to agricultural producers' co-operatives--collective farms--and to the financing of state agricultural enterprises.

In the USSR credit is founded on production and commodity circulation and is a necessary condition for the formation of working funds at all stages of socialist reproduction--from the procurement of raw materials to the sale of finished products.

In the USSR all enterprises are the property of the state or of collective farms and co-operatives. All are juridical persons and are run on a self-paying basis (khozraschet). State enterprises have their own working funds in sizes necessary for their normal economic and financial activity. Cooperative organisations and collective farms form their own working funds at the expense of their income.

As has been already pointed out in the preceding lectures in the process of producing and circulating commodities enterprises, co-operative organisations and collective farms, experience a temporary or seasonal need for funds, which they cannot cover from their own means. At the same time temporarily free funds are being created in the



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circular monetary flow in the economy.

It would be unwise to endow each enterprise with its own means of circulation in proportion with the maximum seasonal requirements, because in this case large financial resources would be frozen during seasonal ( temporary) reductions of the volume of procurements, production and commodity circulation.

Accumulating the temporarily free monetary resources of state and co-operative enterprises, of collective farms and public organisations and also of the State Budget, the State Bank directs them as planned credits for definite periods into the national economy, and thereby promotes the most rational utilisation of the country's financial resources.

Credits to the national economy are extended by the State Bank of the USSR on the basis of credit plans. The credit plan of the State Bank establishes the sources of credits, their allocation and volume and also, jointly with the cash plan, the directive on the circulation of money.

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Being based on the state plans of economic development, the credit plan at the same time influences the formation of various indices of the economic development plan. When they are compiled and during their current fulfilment the credit plan and the money circulation plan actively influence the achievement of the qualitative and quantitative indices of

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the state plan. This influence of the credit and cash plans is based on the unity of the economic, credit and note issuing policies, on the community of tasks that are carried out through the entire system of state planning in the USSR.

In the USSR credits are planned by the State Bank of the USSR and the All-Union Bank for Financing Capital Investments, known as the Stroi bank of the USSR.

The credit plans of banks are drawn up as a balance, showing on the one side the resources on the basis of which the credit investments in the national economy are planned, and, on the other, the volume of credit investments and their break up at the end of the planned period. At the close of a quarter, the planned balances of the State Bank's credit investments and resources are compared with the balances at the beginning of the quarter and show an increase or decrease of individual credits and resources for the given quarter. Depending on the economic features of the planned quarter and time of year, the plan provides for an increase of credits in some branches of economy and forms of credits and a decrease in others.

The principal items of the State Bank's short-term credit plan are:

resources--funds and profits of the State Bank;  
funds of the State Budget; balances of economic enterprises on settlement accounts and in the process of settlements;

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balances on the current accounts of collective farms, State insurance, social insurance, trade unions and other organisations; funds of the StroiBank, savings banks and other credit institutions; cash in circulation, and other resources;

allocation of resources--loans against commodity and material values and for seasonal expenditures; loans for expenditures on the introduction of new technology and the extension of the output of consumer goods; loans<sup>for</sup>/effecting settlements; loans against documents en route; loans for temporary requirements; reserve of the Head Office of the State Bank.

Changes in the balances of various items of the credit plan are tabulated as follows: the plan for the current quarter, the expected fulfilment of the approved plan, the plan for the next quarter, and the increase or decrease of credits and resources in the planned quarter with regard to the expected fulfilment of the approved plan for the preceding quarter.

It goes without saying that the turnover in each form of credit and in the resources drawn upon by the State Bank are considerably bigger than the changes in the balance as mirrored in the credit plan.

The State Bank's short-and long-term credit plans are set up territorially for each economic administrative region. The branches of the Bank are actively engaged in this work.

Estimates of credits to be extended to most branches of the national economy are composed on the basis of planned data of the Economic Councils, the administration of the local industry, the republican, regional and territorial chains of the trading system, and the collective farms.

The regional, territorial and republican (autonomous republic ) offices of the State Bank send the drafts of credit plans to the State Bank's offices in the Union republics. After thoroughly checking the data and summing up the plan for a Union republic, the office concerned sends the draft on to the Head Office of the State Bank of the USSR.

All-Union ministries and departments, that have enterprises and economic organisations subordinated to them, submit summary credit plans for their system directly to the Head Office of the State Bank.

Some forms of credits as well as of the State Bank's resources are planned in a centralised manner.

In recent years, particularly after the reorganisation of the management of industry and construction and the extension of the rights of local organisations, the rights and duties of the State Bank offices in planning credits have been extended, while the Board retains centralizing and regulating functions in its hands.

The State Bank's long-term credit plan is also a balance of resources and the utilisation of these resources. These resources include: the special long-term credit fund, the all-Union budget and the budgets of the Union republics and also the free resources of the collective farms in the form of their non-distributable funds held with the State Bank. The plan provides for the utilisation of these resources separately by the collective farms, individual borrowers in rural localities and organisations of the consumers co-operative.

The drafts of the long-term credit plans are first

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examined by the appropriate State Bank office jointly with the government of the respective Union republic and submitted to the Head Office of the State Bank. The plan is then examined and approved by the Government of the USSR with regard to the whole volume and utilisation of resources as well as to each Union republic.

The credit plan of the StroiBank of the USSR provides for short- and long-term credits within the sphere of its activity. They are, primarily, long-term credits for the organisation and extension of the output of consumer goods, and for the building and enlargement of everyday service establishments for individual housing construction in towns and workers' settlements. Then there are short-term credits to building and erection contractors for the procurement of building materials in connection with seasonal work and seasonal conditions of delivery; for capital repairs of building machines and other basic equipment at the expense of future depreciation deductions; against documents en route and some other purposes.

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In the USSR a sharp distinction is made between an enterprise's own and borrowed working funds, in connection with which, when the size of credit is determined, the volume of the enterprise's own working funds must be taken into account. The banks' point of departure in determining the credit requirements in each planned period is that to form current reserves of material values and production, enterprises must first and foremost make the maximum use of their own working funds and only then use bank credits for seasonal and other requirements arising out of the plan. On this basis the Bank organises control over the security and correct use of own

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working funds of enterprises and also of the working funds borrowed by them.

The link between the credit plan and the production and material and technical supply plans is that being based on the indices of the national economic plan, the former, when it is drawn up, takes into account the material balance of raw materials, the production materials, finished products, the expense estimates of industrial and agricultural production and also separate tasks set in the course of the fulfilment of the plan.

When a draft credit plan is drawn up, account is taken of the rates of development of various branches of the national economy, the volume of output of industry and agriculture, the freight turnover, commodity circulation and procurements established in the national economic plan, and also the prospective further growth of the national economy as envisaged in the annual and quarterly plans.

The State Bank's credit plan takes into account the utilisation of the free balances on the accounts of the Union, republican and local budgets as well as of all budget organisations for extending credits to the national economy. This provides the foundation for the relationship between the credit plan and the State Budget because all the revenue of the State Budget goes to accounts in the State Bank and is used to cover all the Budget expenditures. Large budgetary funds are being concentrated in the State Bank in the form of the excess of revenue over the expenditures.

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The credit plan is fulfilled by each of the State Bank's branches within the limits of its rights. The State Bank's credit operations are based on a strict regulation of these rights and duties both of the Bank itself and of its clients. This regulation is of great state importance and the Bank requires that credit discipline be strictly observed by its clients and that credits are used most rationally with the purpose of fulfilling and overfulfilling production and commodity circulation plans and that the proper effect is ensured.

In planning credits and also in its control over the fulfilment of the credit plans, the Bank watches:

- the fulfilment of production and commodity circulation plans, the fulfilment of financial and accumulation plans, the strengthening of the system under which enterprises are run on a self-supporting basis, the observance of economy and payment discipline;

- the observance of the principles under which short-term credit is granted: its term, repayment and utilisation for purposes specified.

- the expenditure by enterprises of their own and borrowed funds in accordance with their designation, and in particular, the prevention of accumulation of surplus goods that are not required by the economy.

During the fulfilment of the credit plan, the State Bank's branches study the economic and financial position of enterprises and economic organisations receiving credits, using for this purpose the balance sheets and operative reports of these enterprises and organisations sent to the Bank. Where

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necessary, to carry out checks and examinations on the spot, disclose the reasons for deviations in the fulfilment of economic and financial plans and through the enterprises themselves, and also through higher economic links, to take measures to remove the revealed shortcomings. The Bank's institutions see to it that loans are repaid, and also keep an eye on the payment discipline of enterprises and jointly with them see to it that settlements are made in due time.

The State Bank has a rule under which some forms of credits are unlimited, while other are strictly limited. This enables the Bank to influence through the extension of credits various processes taking place in the economy.

The State Bank's institutions have sufficiently broad powers to manoeuvre with credit limits. The manager of a town or district branch of the State Bank has the right to distribute credit limits among enterprises which are part of one and the same economic system, Economic Council, central administration, or ministry. In agreement with economic bodies, State Bank offices can by themselves, on the basis of requirements arising out of the fulfilment of the plan, decide to increase the credit limits established for some economic organisations at the expense of the free limits of other economic organisations and enterprises, and also to redistribute credit limits among various objects of credit. Republican offices of the State Bank have the right to redistribute credit limits among separate Economic Councils, ministries and departments, and also among various objects of credit within the framework of the general limits established for the given Republic as a whole.

Thus, in the USSR the granting of credits is planned in such a way as to stimulate the development of credit



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relations in the economy and promote the most effective utilisation of the financial resources of the socialist state.

## II. Planning Money Circulation in the U.S. . . .

While noting the need for money in the transition period from capitalism to socialism, V.I. Lenin said: "Can it (money-- Ed.) be abolished forthwith? No. Long before the socialist revolution, the socialists wrote that money cannot be abolished at once, and we confirm this with our experience. There must be very many technical and, which is much more difficult and much more important, organisational gains in order to abolish money.... We too could not abolish money at once. We say: money will remain, and it will remain for quite a long time in the course of the transition period from the old capitalist society to the new socialist society" (V.I. Lenin, Collected Works, Russ. ed., Vol. 29, p. 329).

Under socialism, while retaining its old form, money like other economic categories, changes its nature, acquires a new content and is used as an important economic instrument for the planned consolidation of socialist economy. In the Soviet Union money cannot be converted into capital in the hands of individuals, and it is not an instrument of profit and exploitation of man by man.

With the aid of money socialist enterprises are run on a self-supporting basis and pursue a course of economy in their activity, and economic relations are maintained between state-run industry and the collective farms.

In the Soviet Union money serves as a means of implementing the socialist principle of distribution in accordance with the quantity of work, and to provide material incentives for the

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growth of labour productivity. The money measure is used as a basis for state accounting and control, which are an important condition for the planned distribution of the gross national product and the national income in the interests of the whole of society.

In all its functions as a measure of value, a medium of circulation, a means of payment, a means of saving and accumulation, as world money--money is used by plan in the U.S.S.R. in all branches of social production.

In the post-war period, and particularly in recent years considerable successes have been achieved in further strengthening the circulation of money in the Soviet Union. The high rates of development of industrial and agricultural production and the growth of the national income have led to a rapid increase in the retail trade turnover, in an extension of commodity resources and a considerable growth of the real incomes of the population. This creates a stable foundation for the circulation of money and ensures a continuous return of cash into the bank through state and co-operative trade, the rendering of services and ensures a steady rise of the purchasing power of the ruble.

Recent years have witnessed a further extension of commodity and money relations in the national economy, which, in particular, was the result of the reorganisation of the machine- and - tractor stations, the sale of machinery to the collective farms and the change in the system of procuring farm products. These measures led to a rise in the marketability of agricultural products and to an increase of money circulation in rural localities.

The extension of commodity and money relations in the country-side was, furthermore, due to the considerable increase of

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the money incomes of the collective farmers, as a result of the measures that were taken to promote all branches of agricultural production and to increase the material incentive of the collective farmers in the fruits of their labour.

Important measures have been taken in recent years to increase wages, incomes of collective farmers and pensions.

At the same time, a number of practical measures were implemented to increase the output of consumer goods for sale to the population, as a result of which the reserves of goods in the trade network have increased considerably and the commodity security of the ruble has been enhanced. At present, more than ever before, the Soviet ruble is based on commodity security.

Side by side with the rise in the commodity security of the ruble, recent years have witnessed a considerable reduction of the share of that part of the country's money circulation that goes through the collective farm market. The share of the collective-farm market in the total retail turnover in the country dropped from 5.9 per cent in 1955 to 4.7 per cent in 1961. This is due to the considerable rise in the incomes of the collective farms from the common economy and to the diminished role of the personal holding.

The result of these changes was that the share of the money circulating through the cashier's offices of the State Bank increased in the circulation of cash in the country, and

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the state began to have a greater planned influence on the circulation of money. The role of money became stronger as a means of public control over the measure of labour and consumption, particularly in collective-farm production.

The quantity of money in circulation fully corresponds with the requirements of the cash turnover in the country.

Stable circulation of money was instrumental in strengthening the system of payment for labour and raising labour productivity. It should be noted that the growth of labour productivity in Soviet industry and agriculture was particularly great in recent years, when in addition to measures aimed at improving the organisation and planning of economy, great material incentives were provided in production. In 1961 the 1955 labour productivity level was surpassed by 43 per cent in industry, by 60 per cent in construction and by 56 per cent on the railway transport, despite the fact that the working day was shortened.

Trust in the Soviet ruble was further consolidated and its purchasing power was increased. As a result of the systematic reduction of state retail prices, the purchasing power of the ruble increased more than 2.3 times since the monetary reform in 1947. The balance of deposits by the population in savings banks on January 1, 1948 came to 1,260 million rubles (in new money) and by January 1, 1962 this balance increased to 11,660 million rubles.

The level that has been attained by the money incomes of the population facilitated the rise of the material and cultural wellbeing of the Soviet people.

The growth of the money incomes of the population side by side with the curtailment of subscriptions to state loan bonds, the reduction of prices and taxes testifies to the considerable rise in the real earnings of industrial, office and other workers

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and also in the real incomes of the collective-farm peasantry. In recent years there has been a particularly marked increase in the demand for a great range of goods and for goods of a high quality, and the share of purchases of non-food goods and durable goods has risen considerably.

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The systematic and rapid growth of production and of the national income in conditions of stable circulation of money made it possible to enlarge the Soviet monetary unit on January 1, 1961, and to change the price scale that was in operation until 1961. At the present time, on the basis of the experience that has been accumulated, it may be stated with every grounds that the aim the Party and the Government had set by changing the price scale has been fully reached. The measure has increased the significance of the ruble in the economy and will facilitate the accelerated development of Soviet economy in the period of the full-scale building of communism in the Soviet Union.

When the price scale was changed, the interests of the population and of the state were fully observed, inasmuch as both the incomes and the expenditures of the population were re-calculated on the same scale.

The price scale was changed simultaneously with an increase in the gold content of the ruble and a change in the rate of exchange of the ruble with regard to foreign currencies. In determining the gold content of the ruble and the rate of exchange with regard to foreign currencies, account was taken of the essential changes that have taken place in the economy and finances of the Soviet Union and of the capitalist countries.

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As we have already pointed out, the purchasing power of the Soviet ruble is rising steadily. The Soviet Union's foreign trade, which is founded on planned and organized exports and imports and on the stable balance of payments of our country, is increasing rapidly.

State monopoly of foreign trade and of foreign exchange reliably safeguards the Soviet ruble against fluctuations in the world capitalist market. There are and can be no questions of inflation in the USSR.

Taking all the above circumstances into consideration, the Soviet Government decided that as from January 1, 1961, the Soviet ruble would be equal to 0.987412 grams of fine gold, and the rate of exchange of US\$1 would be 90 kopeks. In accordance with this decision, the State Bank of the USSR has recalculated the rate of exchange of the ruble with regard to foreign currencies.

As provided for by the Programme of the Communist Party of the Soviet Union, the period of the full-scale building of communism will witness a further strengthening of the monetary system, the consolidation of Soviet currency, a steady rise of the rate of exchange of the ruble on the basis of a growth of its purchasing power, and an enhancement of the role of the ruble in international relations.

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Socialist economy created the possibility of organising the circulation of cash in the most rational manner, which is yielding the maximum economy in the utilisation of payment means and increasing the velocity of cash circulation to the highest degree.

Public ownership of the means of production and a planned national economy are the foundation for the planned organisation and regulation of the circulation of money in the USSR. Public ownership of the means of production allows, first, to demarcate two spheres of the money turnover: the sphere of the turnover of the money incomes of the population and the sphere of the turnover of production funds and the accumulation funds of socialist enterprises; second, to concentrate the circulation of cash chiefly in the sphere of the turnover of the money incomes of the population; third, on the basis of the law governing the circulation of money to determine by plan the circulation of cash in accordance with plans of production and distribution of the gross national product.

In socialist economy the circulation of cash is almost exclusively concentrated in the sphere of the turnover of money incomes and expenditures of the population. Book transfers predominate in the money turnover among socialist enterprises and organisations. Cash is only used for the payment of small sums.

The State Bank of the USSR is the sole centre of issue and cash centre of the country, which concentrates cash in its hands, plans its circulation, and sees to it that cash

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is spent correctly in accordance with the plan.

The planned system of economy in the USSR , the precise demarcation of the sphere of circulation of cash and the concentration of the cash turnover in the State Bank create the possibility and the need for planning the circulation of money. That is why the state plans the circulation of money on a national scale and also on a territorial basis.

The volume and structure of the population's money incomes and expenditures are determined by the economic development plans of the USSR. These plans annually establish the wages fund, the volume of purchases of farm products, the volume of goods to be placed on sale for the population, the volume of services to be rendered to the population and other indices connected with the money incomes of the population. In the plan there is thus the possibility of establishing the necessary proportions between the money incomes and expenditures of the population.

In order to establish these proportions in the most correct manner, planned balances of the money incomes and expenditures of the population and cash plans of the State Bank of the USSR are drawn up.

The balance of money incomes and expenditures of the population makes it possible to determine the volume and sources of the population's money incomes, and also the volume and structure of the population's money expenditures for the planned year or for a longer period. The circulation



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on money, called forth by the movement of these incomes and expenditures, is thereby determined.

In the USSR are compiled annual estimates of balances of the money incomes and expenditures of the population, and also annual and current quarterly cash plans of the State Bank for the country as a whole and for each republic separately.

The balances of the money incomes and expenditures of the population are worked out by the State Planning Committee of the USSR jointly with the Councils of Ministers of the Union republics, the Ministry of Finances of the USSR and the State Bank of the USSR. The planned balances of the money incomes and expenditures of the population for the different republics are submitted for approval to the all-Union government.

With the participation of the Councils of Ministers of the Union republics, the State Bank also drawn up annual estimates of the cash plans for the Union republics and submits them for approval to the Council of Ministers of the USSR.

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With the help of the balance of money incomes and expenditures of the population the necessary objectively correct proportions between the money incomes and expenditures of the population, and the volume of retail trade and paid services are established in the economic development plans.

The law governing the circulation of money, formulated by Marx, remains in force under socialism, but by virtue of the planned character of socialist economy this law acquires specific features. The volume of the cash turnover and the velocity at which money circulates in each of its links are brought to light on the basis of the dependence, established by Marx, of the quantity of money in circulation on the size of the turnover, in which money performs the functions of means of circulation and means of payment, and the velocity of the circulation of money from which are deducted mutually offset payments. At the same time, money that performs the functions of savings and the formation of accumulations in the form of cash is taken into account.

Under socialism, the conformity between the quantity of money and the needs of circulation is thus achieved by plan, on the basis of a planned, balanced development of the entire national economy. This ensures the stability of money and enhances its role in the development of socialist economy .

At every stage of the development of socialist economy the law governing the circulation of money is not implemented automatically or in an unorganised manner. The requirements of this law are fulfilled by a correct economic policy and by national economic planning, by the entire range of measures aimed at fulfilling plans, by planning the circulation of money and by the appropriate policy of note issue.

Under conditions of the socialist way of running the economy in the U.S.S.R., the specific feature of the law of the circulation of money in action is that here the object of plan-

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ning is the volume of money, the price level of goods, the volume of goods, the trade turnover and trade services.

An important condition for meeting the requirements of the law of money circulation by plan in the period of the full-scale building of communism in the U.S.S.R. is the creation of such a balance in economy under which the production of consumer goods outstrips the growing requirements of the people. Thanks to the creation of a huge industry, the necessary prerequisites to fulfil this condition are already present. In its turn, this requires an improvement in the planning of the circulation of money and allows establishing the most favourable co-relation between the population's money incomes and expenditures on the basis of the creation and increase of material reserves.

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The cash plan of the State Bank of the U.S.S.R. is an operative plan of the circulation of money.

It envisages the size and sources of the Bank's cash receipts and also the size and purposes of disbursements of this cash. The circulation of money is regulated by plan and the sum of money placed into circulation or withdrawn from circulation is determined on the basis of the cash plans.

While leaving the centralised regulation of the note issue and cash resources of the U.S.S.R. in the hands of the State Bank, the role and responsibility of local organisations has in recent years been increased in the drawing up of plans of the circulation of money in the republics, territories and regions, and in the fulfilment of the task in the circulation of money as set in these plans.

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The prevailing system of drawing up quarterly cash plans makes it possible to bring to light any changes in the population's money incomes and expenditures that arise out of the fulfilment of the state plan of economic development and to take timely measures to ensure the necessary balance in the circulation of money.

The turnover of cash through the State Bank is planned for the separate sources of receipts and forms of disbursements on the basis of the tasks of the economic development plan and mirrors the co-relation between the population's cash incomes and expenditures in the planned period.

The cash plan of the State Bank is itemized as follows:

<u>Receipts</u>	<u>Disbursements</u>
Trade receipts	Salaries and wages
Railway, water and air transport receipts	Payments for agricultural procurements and purchases
Taxes and revenues	Withdrawals from the accounts of collective farms
Rent and communal payments	Withdrawals from deposits for non-agricultural procurements and other purposes
Local transport receipts	Loans for individual house construction, for the acquisition of furnishings and for pawnshop operations
Deposits to accounts of:	
collective farms	
undertakings of the Ministry of Communications	Withdrawals from the accounts of:
savings banks	Ministry of Communications
entertainment enterprises	Savings banks
everyday service establishments	Pensions, allowances and insurance
	Payments for business missions and economic operational expenses
Receipts from lotteries	
Other receipts	

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Receipts from trading organisations from the sale of goods to the population are the principal source of cash in the State Bank.

Most of the cash disbursed by the State Bank is used by enterprises and organisations to pay wages and salaries to industrial, office and other workers. These disbursements are planned on the basis of the wages funds determined in the national economic plan.

In recent years, as a result of the measures taken to promote agricultural production, there has also been a considerable increase in the disbursements of cash by the State Bank from the accounts of collective farms for payment to collective farmers and for the payment of pensions and allowances.

The drawing up of the State Bank's quarterly cash plan begins in its district and town branches on the basis of the planned estimates, submitted by factories, offices and organisations, of the receipt of cash in their cashier's offices and of the disbursements expected in the coming quarter.

Drafts of the cash plans of the State Bank's branches go to the appropriate offices of the State Bank where they are examined with due consideration for the data supplied by republican, territorial and regional planning bodies, and after they are studied by the Councils of Ministers of the republics, while in some republics, also by the Councils of Ministers of the Autonomous republics and the Executive Committees of Regional and Territorial Soviets of Working People's Deputies, they are submitted to the Head Office of the State Bank.

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In submitting the cash plan for examination to the Government of the USSR, the Board of the State Bank, proceeding from the tasks in the circulation of money, also submits the necessary suggestions on measures aimed at extending commodity circulation, communal and other services to the population, and at increasing the bank's cash receipts.

The Government of the USSR examines and approves the State Bank's cash plan as a whole and for each of the Union republic. Thereby the plan of the State Bank- the single issue institute, is brought to its local branches. The approved cash plan is the directive on the circulation of money in the planned period.

The planned direction of the circulation of money is not limited to the drawing up of the State Bank's cash plan. Responsible organisational work guiding the fulfilment of the cash plan begins after it is drawn up, approved and sent to the State Bank's offices and branches.

Approved for the republics, territories, regions, towns and districts, the cash plan is fulfilled on the basis of and in close connection with the production, commodity turnover and financial plans. The fulfilment of the cash plan by all of the State Bank's offices not only gives rise to broad opportunities for but also requires daily operative control over the course of production, the turnover of commodities in the republics, territories, regions and districts.

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Furthermore, the Councils of Ministers of the Union republics systematically supervise the fulfilment of the State Bank's cash plans and take measures to increase commodity circulation, extend the activities of enterprises rendering paid services to the population, and save state means in order to ensure the necessary proportions between the population's money incomes and expenditures and the fulfilment of the cash plan drawn up for each republic.

While extending the rights of the Union republics, this scheme at the same time increases their responsibility for the organisation of the work entailed in drawing up and carrying out money circulation plans.

In order to ensure the fulfilment of the plan, the State Bank's offices and branches implement an entire system of measures, the most important of which is to control production and commodity circulation with the ruble during the granting of credits and the settlement of accounts.

The State Bank's offices and branches regularly report to the local organisations on the fulfilment of the cash plans, work out the necessary measures aimed at removing shortcomings in the work of enterprises in order to smooth the way for the fulfilment of the cash plan, make their suggestions and ~~control~~ the fulfilment of the decision taken on these questions by local organisations.

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The economic co-ordination of the credit and cash plans is of very great importance. This co-ordination is based on the correct reflection by these plans of the basic positions

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arising out of the fulfilment of the economic development plan with consideration for the course of the fulfilment of the plan for the preceding period. The credit and cash plans for the country as a whole and for each republic, region and territory separately, are based on the indices of the economic development plan for the volume of output and the sale of goods, the purchase of farm produce, commodity circulation and so on.

In co-ordinating the credit and cash plans, the State Bank's offices see to it that no excess credits are granted against goods and production reserves, whose accumulation is not linked up with normal conditions of production, sale and storage and is not called for by the economic development plan. The most noteworthy index of the complete co-ordination of the credit and cash plans is the sum of money issued or withdrawn from circulation. The quantity of money in circulation must coincide in the credit and cash plans, while changes in the State Bank's resources at the expense of this source are determined by economically necessary increases or reductions of the sum of money for a given planned period in accordance with the requirements of the objective<sup>law</sup> governing the currency circulation under socialism.

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The Communist Party and the Soviet Government attach great importance and pay much attention to the development of the credit and monetary system of the U.S.S.R. In implementing its credit and note issuing policy the State Bank of the USSR strives to make the largest possible contribution to the successful building of a communist society.



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NATURAL RESOURCES OF THE USSR

The New Programme of the Communist Party of the Soviet Union, adopted at the Twenty-Second Congress of the C.P.S.U. scientifically substantiates with the utmost precision a specific plan for the building of communism, and defines the principal economic task of the Party and the Soviet people as that of creating the material and technical basis of communism within the next twenty years and ensuring an unprecedented rise of national prosperity.

Soviet geologists are playing a big and responsible role in carrying out this great task, because one of the decisive conditions for the development of the country's productive forces and the creating of the material and technical basis of communism is the massive industrial utilisation of the country's natural resources, particularly the mineral resources in the bosom of the earth.

It is common knowledge that for its level of development pre-Revolutionary Russia was one of the backward countries of the world. A very limited quantity of minerals was mined, and many kinds of raw minerals were imported. Despite the inconsiderable requirements of the industry of that period, Russia had a shortage of coal, non-ferrous metals, raw materials for the chemical industry and mineral fertilisers.

At present Soviet geologists have built a huge and varied mineral and raw material base and our country now occupies the first or one of the first places in the world for

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explored reserves of all key minerals, including iron and manganese ores, chromite, coal, petroleum, copper, lead, nickel, cobalt, tungsten, molybdenum aluminium ore, mercury, asbestos, potassium salts, apatites and sulphur.

Following the discovery of the diamond fields in Yakutia, the Soviet Union no longer had any minerals in short supply, all branches of industry and agriculture were fully ensured with explored reserves of all types of mineral raw material and the necessary state reserves were created.

The volume of minerals exported by the Soviet Union and the number of countries using these minerals are steadily increasing. In recent years more than 50 kinds of mineral raw material and by-products have been exported to 46 countries.

In contrast with the Soviet Union, many of the other industrially developed countries are compelled to cover a considerable part of their mineral raw material requirements with imports. For example, almost the entire requirement of the U.S.A. in diamonds is covered through imports from Africa. The entire demand of the American industry for tin is met through imports from Malaya, Indonesia and other countries. The U.S.A. import more than 90 per cent of their chromite from Turkey, the South African Republic, South Rhodesia and the Philippines; asbestos from Canada and the South African Republic; mica from India and Brazil; beryllium from

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the Congo, Brazil, Argentina, the South African Republic and India. More than 80 per cent of the manganese ore used in the USA comes from Brazil, India, Ghana, the South African Republic and Mexico; bauxite from Jamaica, Surinam and Haiti; nickel from Canada; cobalt from the Congo and Canada; antimony from Great Britain, Yugoslavia and Mexico; mercury from Spain and Italy. Imports account for 50-60 per cent of U.S. consumption of tungsten, lead, zinc, cadmium, bismuth. In addition to their own big output of petroleum (about 350 million tons a year), the U.S.A. import 60-70 million tons of petroleum from Venezuela and from the Middle East.

Let us consider how rich is the Soviet Union in separate key minerals.

The Soviet Union has the world's biggest mineral fuel and power resources.

The geological reserves of hard and brown coals add up to 8,700,000 million tons or more than half the world's reserves.

Industrially workable deposits of coal have now been found in almost all the main economic regions of the Soviet Union.

The potential productive capacity of the prepared reserve of coal fields exceeds the capacity of the mines in operation by a minimum of one and a half times. For the output of coal our country occupied first place already in 1958.

The Donets Basin, where 182 million tons or more than 35 per cent of the coal produced in the country was mined in 1960, continues to be the major fuel base in the Soviet Union. The share of this basin in the output of

coking coals was even higher(57 per cent).

There are great reserves of hard and brown coals in the other coal basins of the European part of the Soviet Union, among which are the Pechora, Moscow, Dnieper and Lvov-Volhynia basins.

More than 90 per cent of the Soviet Union's geological reserves of coal are concentrated in the country's eastern regions. The Kuznetsk Basin is a major supplier of power and coking coals. Its geological reserves of coals suitable for the production of coke are estimated at about 200,000 million tons. The thick seams lying close to the surface make it possible to mine the coal by the open-cast method and increase the output to 80-90 million tons a year.

There are huge, practically inexhaustible (more than 6000000 million tons) reserves of coal in the Lena, Tungus, Kansk-Achinsk, Taimyr and Irkutsk basins in Siberia. Many of the explored seams are very thick, lie close to the surface and can be open-cast mined, which is the cheapest method. Big chemical plants and also thermal power stations requiring the smallest possible investments and generating power at the lowest cost can be built on the basis of this coal wealth. The cost of open-cast coal in the Kansk-Achinsk Basin is about 10 times less than what the cost of underground mining averages in the Soviet Union as a whole.

The South Yakutsk Coal Basin with its coking coals, which has been discovered and partially explored in recent years, is acquiring major importance. The industrial development of this basin will make it possible fully to

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satisfy the requirements of the future metallurgical plants of Siberia and the Soviet Far East.

Numerous deposits of hard and brown coals have been explored in Kazakhstan. The biggest of these deposits are in the Karaganda, Turgai, Maikyuben and Ekibastuz basins. Almost all the coal in the Karaganda Basin is suitable for the production of coke but it has a high ash content and has to be concentrated.

The Soviet Union's reserves of petroleum and natural gas are among the biggest in the world. In tsarist times workable deposits of petroleum were known only in the Caucasus, but today huge petroleum and gas centres have been set up in many regions. A considerable part of the explored reserves of petroleum is concentrated in an enormous territory between the western slopes of the Urals and the right bank of the Volga. In this oil-bearing regions workable deposits have been discovered in the Tatar and Bashkir autonomous republics, and in Perm, Orenburg, Kuibyshev, Ulyanovsk, Saratov and other regions. More than 100 oil deposits and 250 prospective oil-bearing areas have been discovered so far.

There are great reserves of petroleum in Azerbaijan and other areas of the Caucasus, where new deposits are being discovered annually on land and on the bed of the sea.

In the past few years the steady increase in the volume of geological prospecting, geophysical research and exploratory boring had led to the discovery of a large number of petroleum and gas deposits in the region between the Volga and the Urals and also in the North Caucasus, the Ukraine, Central Asia, Kazakhstan and other areas of the Soviet Union.

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Compared with 1953 the explored reserves of petroleum and of natural gas have increased several times. Ninety-seven new petroleum deposits were discovered in just the first two years of the Seven-Year Plan period.

Of specially great importance is the discovery of workable deposits of petroleum in East and West Siberia and in West Kazakhstan which, judging by the latest geological data, have enormous prospects for the development of a petroleum and gas industry.

Usually there is natural gas in all petroleum deposits and it is brought to the surface as an accompanying product. Big deposits of natural gas have been discovered and explored in Stavropol and Krasnojar territories, the Ukraine, the Caucasus, West and East Siberia, the Volga Area and Central Asia.

An outstanding result of geological exploration is the discovery of a huge deposit of natural gas at Gazly, Uzbekistan, and also deposits in South Mubarek and other areas, which made it possible to start building big gas enterprises. Large deposits of gas have also been discovered in Turkmenia. Altogether 53 new gas deposits were discovered during the first two years of the Seven-Year Plan period.

As everybody knows, our country is making the stepping up of the output and processing of petroleum and gas a priority task. In the total volume of output of fuel in the U.S.S.R. the share of

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petroleum and gas will rise to 51 per cent by 1965, and the share of coal will drop to 43 per cent. Although the rate of increase in the output of coal will be considerably lower than in the preceding seven-year period, output will nevertheless increase by 21-23 per cent. Compared with 1958 the output of petroleum will be more than doubled by 1965, and the output of gas will be increased 5-fold. It would be to the point to make the reminder that it took the USA twenty years, from 1925 to 1945, to double their annual output of petroleum from 103.2 to 231.6 million tons.

A large part of the world's ferrous metal resources are concentrated in the USSR, where only the explored reserves of iron ore are estimated at 43,600 million tons.

In the Soviet Union there is iron ore in all the leading industrial regions, and this makes it possible to plan the distribution of mining and metallurgical enterprises and, in particular, the setting up of five metallurgical bases in our country, from the viewpoint of economic expediency.

The discovery of the world's largest deposits of high-grade iron ore in the Kursk and Belgorod magnetic anomalies is of tremendous economic importance. This iron ore region extends from north to south for more than 700 kilometres and embraces the territory of Kursk, Orel, Voronezh, Bryansk and Belgorod regions. The ore from this area is of an exceptionally high grade. The mean iron content in it varies from 50 to 65 per cent. The prospective reserves of iron ore in this unique area are estimated at tens of billions of tons.

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The location of the newly-discovered iron ores in the centre of the European part of the Soviet Union, close to the coking coals of the Donets Basin, is another factor showing the great practical importance of these discoveries. Huge metallurgical plants can be built on the basis of these deposits, and a part of the ores can also be exported.

There are considerable resources of iron ore in the Ukraine. The Krivoi Rog and Kerch basins account for more than 50 per cent of the Soviet Union's iron ore output. In addition to rich ores, whose explored reserves exceed 2,000 million tons, the Krivoi Rog basin has large reserves of ferruginous quartzite, which can be mined on a big scale by the open-cast method.

The explored reserves of easily-concentrated iron ores (1,700 million tons) in the North-West of the U.S.S.R. will keep the Cherepovets Metallurgical Plant supplied for a very long time.

In recent years a large iron ore region has been discovered in Kustanai Region. An ore-concentrating combine with an annual output of 26,500,000 tons of raw ore is being built rapidly on the basis of the iron ore reserves explored in the Sarbai and Sokolov deposits, where they are estimated at more than 1,500 million tons. Other deposits of magnetite ores as well as of limonite, totalling more than 11,000 million tons, have been discovered in Kustanai Region. Among the biggest of these is the Kachar magnetite ore deposit, where the reserves are estimated at 1,200 million tons. An ore-concentrating combine with an output of 21 million tons of raw ore a year is under construction



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on the basis of these reserves.

Considerable reserves of iron ore have also been explored in Central Kazakhstan, where the Karaganda Metallurgical Combine is under construction.

The Urals, where the deposits account for about 40 per cent of the Soviet Union's iron ore output, is a major iron ore region with a big and developed ferrous metals industry.

Numerous deposits of magnetite ores have been explored in West Siberia: Kemerovo Region and Altai Territory. A new basin of colitic iron ores, where the reserves are estimated at 100,000 million tons, has been discovered in Tomsk Region in 1956.

Workable iron ore deposits have been discovered and explored in many regions of East Siberia. The favourable conditions for mining, the availability of explored reserves of coking coals as well as of various non-ore raw materials, and huge sources of power are making it possible to set up metallurgical enterprises working at a very low cost.

Big iron ore bases have been prepared in Krasnoyarsk Territory. Of these the most important are the magnetite ores in the Khakass Autonomous Region, which are of a high grade and can partially be used without concentration. These deposits are being developed and prepared for industrial use and together with the deposits in Gornaya Schoria, are the raw material base for the Kuznetsk Metallurgical Combine now in operation and the West-Siberian Plant, which is under construction.

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Large explored reserves of hematite ores are concentrated in the Angara-Pit Basin in the Yenisei Range. They are quite sufficient to warrant the building of a new metallurgical plant and can, at the same time, serve as an additional raw material base for the West-Siberian Plant.

A new iron ore base has been set up in Chita Region. The industrial reserves of iron ore in just one of the deposits in this region, the Berezovo deposit, come to about 500 million tons. Most of these reserves are rich in limonite and siderite ores and do not require to be concentrated. In the past year deposits of rich iron ores have been discovered in the Buryat Autonomous Republic.

The South Aldan iron ore region can serve as a raw material base for the ferrous metallurgy. This region has high grade magnetite, martite and semi-martite ores, a part of which do not require to be concentrated and can be used directly in open-hearth furnaces.

There are explored deposits of iron ore near the South Yakut coking coal basin.

The Soviet Union has enormous reserves of titanium. Large deposits of titanium-magnetite ores have been explored in the Kola Peninsula, the Urals and East Siberia. Extremely rich fields of titanium and zirconium minerals have been discovered and explored in recent years in the Ukraine, West Siberia and other areas.

Our country occupies a leading place in the world for its reserves and output of manganese ores. The Soviet Union has approximately 70 per cent of the world's explored and possible reserves of these ores. In 1959 the Soviet Union exported more than a million tons of

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manganese ore.

Great reserves of manganese ores are concentrated in the world famous Chiatura and Nikopol deposits. Despite intensive development, the explored reserves in these deposits have grown considerably and fully ensure the planned increase in the output of manganese ore for many years to come. Deposits of carbonate manganese ores, where the explored reserves are among the largest in the world, have been discovered and explored at Bolshe-Tokmak, the Ukraine.

The Soviet Union also has very large reserves of high grade chromite ores. A considerable portion of these reserves is almost wholly concentrated in the deposits in West Kazakhstan and the Central Urals.

We are better ensured than any other country with all kinds of mineral raw material for the development of high grade steel-making, as well as with explored reserves of non-ferrous and rare metals and other important minerals.

Large reserves of non-metal minerals have been discovered in various regions of the Soviet Union. Major deposits of asbestos have been explored in the Urals, Kazakhstan and the Buryat Autonomous Republic, of mica in Irkutsk Region, the Karelian Autonomous Republic and the Yakutsk Autonomous Republic, of apatite in Murmansk Region, of phosphorite in Kazakhstan and the Central regions of the European part of the U.S.S.R., of fluorite in Chita Region, Primorye Territory, Uzbekistan and Tajikistan, of graphite in the Ukraine, Krasnoyarsk Territory and

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Chelyabinsk Region, of magnesite in Chelyabinsk and Irkutsk regions and in Krasnoyarsk Territory. In addition to the extremely rich deposits that have been discovered in Yakutia, diamond fields have been discovered and explored in the Urals.

The Soviet chemical industry has enormous raw material facilities.

The explored reserves of phosphate and potassium raw materials completely ensure the enlargement of the output of fertiliser for agriculture under the Seven-Year Plan.

The output of potassium salts is being stepped up at the Bereznikov and Solikamsk potassium combines in the Urals, and a potassium combine has been placed in operation in Byelorussia.

Provision has been made for a sharp increase in the output of apatite ores in Khibin and of phosphorite ores in Kazakhstan and the central regions of the Soviet Union.

The above measures will make it possible to increase the output of mineral fertilisers 3-fold by 1965, and this will to a considerable extent satisfy the growing requirements of agriculture in the Soviet Union.

Water, as everyone knows, is one of the most important minerals. In recent years geologists have discovered and explored considerable quantities of fresh ground waters, particularly in the desert and steppe regions of Central Asia, Kazakhstan, Siberia and the South European part of the Soviet Union. This has made it possible to resolve a number of important economic tasks linked up with the water supply to big cities and inhabited

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localities, and for the irrigation of boundless expanses of virgin and disused land and pastures. More than 18,000 wells have been sunk at collective and state farms alone

Ground waters with a high temperature, from 30 to 100°C, and in some cases as high as 270°C, have been found to be widespread in the Soviet Union. These waters can be successfully used in the national economy for the electrification and heating of inhabited localities, the setting up of hothouse and hotbed establishments, and other requirements. Artesian basins of thermal waters have been discovered in the West Siberian lowland, in Kazakhstan, in the Central Asian Republics, in the Transcaucasus, in the Russian Plateau, in East Siberia, in the Kamchatka-Kuril volcanic region and in many other areas of the Soviet Union. In these regions it is possible to obtain a daily quantity of about 15 million cubic metres of thermal water. The utilisation of this water will annually save the state tens and hundreds of millions of tons of coal and petroleum, release transport from the need to carry these fuels, enlarge the output of vegetables and fruit, and yield a considerable economic saving.

Far-reaching successes have been achieved in the study of the Soviet Union's geological structure and in the compilation of geological maps, which are required in prospecting for deposits of minerals. There are no longer any white spots in the geological map of the Soviet Union. In the first two years of the current Seven-Year Plan period medium and large scale geological surveys embraced an area

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of nearly 2,000,000 square kilometres, which is equal to the combined territory of Great Britain, France, Italy, Spain, Denmark, the German Democratic Republic and the Federal Republic of Germany.

In recent years Soviet geologists have also entered the international arena on a large scale. They are helping to conduct geological investigations in underdeveloped capitalist countries and have scored quite a few successes.

Four oil-bearing provinces in India have been discovered with the aid of Soviet geologists. In the course of sixty-five years the British could only explore a reserve of 40-50 million tons of petroleum in India, but Soviet geologists have discovered hundreds of millions of tons of petroleum in that country within the short span of three or four years. Petroleum has also been discovered in Afghanistan, Egypt and Syria with the technical assistance of Soviet geologists.

The mineral reserves explored in our country completely ensure the planned development of the national economy in the current seven-year period. At the same time, the gigantic growth within the next 20 years of the ferrous and non-ferrous metallurgical, petroleum, gas, chemical and building industries and other branches of the national economy, as well as the need to set up transitory state reserves of mineral raw materials sets the Geological Service new big and responsible tasks in prospecting for and exploring minerals. In order to appreciate the scale of these tasks, it is sufficient to point out that in 1980 the Soviet Union's petroleum output will reach 690-710 million tons, and its gas output must be increased to 680-720 billion cub.m. In other words, the output of

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petroleum has to be increased 4.5 times and of gas 15 times. In the same period the coal output must be increased to 1,180-1,200 million tons and the steel output to 250 million tons. To meet this huge demand for mineral raw materials it will be necessary sharply to increase the explored reserves of various minerals and considerably improve the geographic distribution of mineral raw material bases.

In order to solve this basic task successfully and with the minimum outlay of money and time it is necessary to discover many new, chiefly big and rich, deposits. At the same time the success of the geological prospecting itself and also the economic efficacy of the subsequent industrial development of the new deposits will depend on the scale of the new discoveries and the quality of the minerals.

The Soviet Union has the biggest mineral raw material resources in the world. It has all kinds of minerals in quantities necessary to ensure the building of the material and technical basis of communism.

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FOREIGN TRADE OF THE U.S.S.R.

1. Essence and Basic Features of Soviet Foreign Trade

The development of international economic co-operation is giving each country the possibility of enjoying the benefits and advantages of an international division of labour. Apart from material benefits, this strengthens mutual trust between countries, draws all the states of the world closer together and serves to maintain peaceful relations between them.

Speaking in the Soviet Pavilion at the Leipzig Fair, N.S.Khrushchov, First Secretary of the Central Committee of the CPSU and Chairman of the Council of Ministers of the USSR, noted: "Foreign trade is a firm and healthy basis for successfully promoting peaceful co-existence between states with different social and economic systems. Moreover, economic relations create a good foundation for strengthening political relations between countries. Broad development of trade plays an important role in strengthening mutual trust between peoples and in relaxing international tension."

A directive of the Twenty-Second Congress of the CPSU, the policy of the CPSU and the Soviet State aimed at promoting international co-operation in trade fulfils the great Leninist principle of peaceful co-existence between all states regardless of their social system.

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Foreign trade is an important organic part of the national economy of our country. At all stages of the history of the USSR foreign trade has been and continues to be conducted on the basis of state monopoly (Article 14 of the Constitution of the USSR) and in strict conformity with plans of economic development.

In the course of a period of more than 40 years, the export of numerous Soviet goods that have won world recognition for their high quality has made it possible to purchase various foreign goods-- machines, equipment, means of transport, ferrous and non-ferrous metals, natural rubber and other industrial raw materials, farm implements, foodstuffs and consumer goods-- to speed up and enlarge the scale of the country's industrialisation, mechanise socialist agriculture and satisfy the requirements of Soviet society as fully as possible. At the present stage, foreign trade is utilised by the Soviet state as an additional source for accelerating the rate of building the material and technical basis of communism in our country.

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At the same time, the development of socialist states in a single world system of socialism is speeding up the building of socialist economy and a socialist social system in the People's Democracies of Europe and Asia and opens up the prospect for a more or less simultaneous transition to communism within a single historical epoch. "The CPSU proceeds from the fact that the existing forms of economic relations between the socialist countries--foreign trade relations, co-ordination of national-economic plans, specialisation and co-operation of production -- will increasingly develop and improve," states the Programme of the CPSU.

Development of the international trade relations of the USSR expands the direct business contacts of Soviet economy with the rest of the world, keeps our economic workers abreast of the situation in the world markets and helps to utilise the international division of labour in the interests of communist construction.

The formation of a world system of socialism, the collapse of the colonial system, the liberation of many countries from colonial dependence and the winning by them of political independence have had and continue to have an important influence on Soviet foreign trade. At the Twentieth, Twenty-First and Twenty-Second Congresses of the CPSU, Soviet foreign trade was given the following tasks:

to actively promote the further strengthening of the economic might of the world socialist system and to expand production relations between them through deliveries of machines, equipment, industrial raw materials, fuel and other items;

to render effective assistance to the former colonial and dependent countries that have taken the road of independent state development, to help them surmount their age-old backwardness speedily and strengthen their economic independence;

to continue expanding trade relations with the capitalist world and thereby help to develop friendly relations between states and nations on the basis of the peaceful co-existence and economic co-operation of equal participants in international relations.

In the modern epoch, broad international recognition of the principle of peaceful co-existence creates the only acceptable basis of mutual relations between states with different social systems. Among the tasks in international relations, the Twenty-Second Congress of the CPSU issued the following directive: "to pursue a policy aimed at promoting international co-operation in trade, cultural relations, science and technology."

Stable prices over a prolonged period (of at least one year) and computed on the basis of average prices for the corresponding goods at the principal world markets with account taken of the cost of delivery to the ports or to the frontier railway stations of the contractor countries is one

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of the features of the foreign trade of the USSR.

The extension of loans and long-term and short-term credits to the socialist countries on favourable conditions (2 per cent interest per annum, while for the credit granted to the Chinese People's Republic -- 1 per cent per annum) is helping to expand their foreign trade relations with the USSR and consolidate economic exchanges between all countries of the world system of socialism. The USSR is granting credits to some capitalist countries as well, to Finland, for example.

Large credits have been extended by the Soviet Union to former colonial and dependant countries. A feature of these credits is the favourable terms on which they are granted -- 2.5 per cent interest per annum for the use of the credits and repayment not in gold, or convertible currency but through the export of the traditional goods of these countries. The absence of any additional economic or political conditions has made it possible considerably to enlarge the trade turnover between the USSR and these countries.

The long-term agreements that the USSR has signed with many capitalist countries-- Britain, Federal Republic of Germany, Italy, France, Finland and the Scandinavian countries, Austria, Japan and others -- are consolidating the basis for developing trade exchanges between the USSR and these countries. Soviet trade with some of these countries has increased noticeably in recent years.

In the course of the fulfilment of the Seven-Year Plan (1959-1965), the world socialist system will account for a steadily larger portion of the world industrial output, and not later than by 1965 the countries of the world system of socialism will be producing more than half the world's industrial output. There will be a considerable increase in the output of farm products in the USSR, of oil, ores, timber and other items of our country's rich resources. This will create the necessary material basis for the successful promotion of Soviet trade with foreign countries.

In 1961, the volume of Soviet foreign trade reached the level planned for 1962 and amounted to 10,500 million rubles. There are sufficient grounds for expecting that during the current seven-year period, the volume of Soviet foreign trade will be doubled. Soviet economists have estimated that during the next twenty years the volume of Soviet foreign trade can increase four times and over, and this will immeasurably heighten the role of the USSR in international trade. The general rise of the technical level of Soviet industry and agriculture will be accompanied by a drop in production costs, an increase in labour productivity, a further saving in material expenditures and other favourable changes in the economy of the USSR. This, too, will serve as an additional factor giving our country a bigger <sup>role</sup> in the international division of labour.

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The Soviet Union is a mighty industrial power. Basic changes have taken place in the structure of exports and imports in the course of the development of the foreign trade of the USSR. During the earlier stages of the history of Soviet foreign trade, raw materials and farm products predominated as exports, while in recent years an ever increasing share is occupied by exports of machines, equipment, means of transportation, intricate apparatuses and so on. The USSR is rendering considerable technical aid to many foreign countries. Here the export of means of production, including sets of equipment for entire factories, is economically profitable and reflects the high level of the technology of production at enterprises of socialist industry, and the fast and steady growth of labour productivity.

On the other hand, mention must be made of the fact that in imports there has been an enlargement of purchases of up-to-date technical equipment and of considerable quantities of foodstuffs and consumer goods.

## 2. Emergence of the USSR Into a Leading Place in World Trade

Prior to the Second World War, Soviet participation in the international trade turnover was quite considerable with regard to separate items, chiefly of the fuel, raw materials and foodstuffs groups. However as a whole, the USSR occupied only 16th place among countries participating in world trade.

In the post-war period, there has been a particularly marked growth of Soviet foreign trade in the past seven or eight years. In 1960, for the scale of its participation in international trade, the USSR moved to sixth, and in 1961 to fifth place after the USA, Britain the Federal Republic of Germany and France.

In 1960, the volume of Soviet foreign trade amounted to 5,005,900,000 rubles in exports and 5,066,100,000 rubles in imports, this adding up to 10,072 million rubles at the rate of exchange established on January 1, 1961.

One Soviet ruble contains about 1 gram of fine gold; U.S. \$1 equals 90 kopeks.

In 1960 the value of the imports exceeded the value of the exports by 60,200,000 rubles (in 1959, on the contrary the value of the exports was slightly higher than the value of the imports -- by 30,800,000 rubles).

The share of the trade of the USSR with the socialist countries of Europe and Asia in 1960 accounted for about 72 per cent of the trade turnover (more than 7,200 million rubles), including 97,400,000 rubles in trade with Yugoslavia, while its trade with the capitalist countries added up to a little over 28 per cent of the turnover (2,800 million rubles). Three-quarters of the Soviet trade in the world socialist system is with the European People's Democracies, and one-

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quarter with the People's Democracies of Asia.

In 1960, first place in trade with the USSR was occupied by the German Democratic Republic (1,782,900,000 rubles) and second place by the Chinese People's Republic (1,498,700,000 rubles). That same year, trade with 16 European countries (Federal Republic of Germany, Britain, the Netherlands, Greece, Denmark, Iceland, Spain, Norway, Portugal, Finland, France, Italy, Austria, Sweden, Belgium and Switzerland) amounted to 1,654,600,000 rubles or less than the value of the trade between the USSR and the German Democratic Republic and a little more than the value of the trade turnover between the Soviet Union and the Chinese People's Republic. In 1960, the trade turnover between the USSR and the Czechoslovak Socialist Republic (1,156,400,000 rubles) was only a little smaller than the trade turnover between the USSR and five capitalist countries that occupy a leading place in Soviet trade with the capitalist world (Federal Republic of Germany -- 286,200,000 rubles; Britain -- 270,500,000 rubles; Finland -- 264 million rubles; France -- 183,100,000 rubles; and Italy -- 173,600,000 rubles; the total coming to 1,177 million rubles). The Soviet Union's 1960 trade turnover with the capitalist countries of Europe ranged from 4,300,000 rubles (Portugal) and 286,200,000 rubles (Federal Republic of Germany).

This means that the capitalist countries of Europe are far from utilising the great benefits of reciprocally advantageous trade with the Soviet Union (and other socialist countries), although the trade turnover of the Soviet Union with a number of capitalist countries has grown substantially in recent years, and, on the other hand, trade between the socialist countries has reached very considerable dimensions. The normalisation of international trade and the lifting of all barriers hindering its growth would undoubtedly be accompanied by a further considerable increase in trade between all countries, irrespective of their social and economic system.

In the past few years the USSR has been trading with more than 80 countries, while in 1955 it traded with 59 countries. The rise of new independent states steadily increases the number of countries with whom the USSR is promoting international economic co-operation.

### 3. Characteristic Features of Soviet Trade with Countries of the World Socialist System

The growing resources and increasing capacity of the world socialist market is strikingly expressed and confirmed by the rapid growth of the turnovers between the socialist countries. While enlarging the framework of the international socialist division of labour, the trade between the Soviet Union and all other countries co-operating in the world socialist market is at the same time accelerating the rates of enlarged socialist reproduction in the People's Democracies of Europe and Asia and speeding up the rates of building a communist society in the USSR. In 1961, the countries of socialism accounted for about 36 per cent of

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the world industrial production.

The systematic rise of the general level of economic development of the socialist countries is being facilitated by large deliveries of first-class Soviet machines and equipment (about nine-tenths of the entire Soviet exports in this group), rolled ferrous metals (up to four-fifths of the Soviet exports) and many other industrial goods. Deliveries of grain (more than 70 per cent of the Soviet grain exports) to the socialist countries are enabling these countries to achieve a substantial rise in the level of popular consumption, while during crop failures (due to drought, floods and so on) to compensate for the shortage in grain.

Quantitatively, annual Soviet deliveries of various goods to the socialist countries are very big: for example, in 1960 the Soviet exports of iron ore amounted to 14,800,000 tons, of petroleum products to 5,900,000 tons, of rolled ferrous metals to 2,300,000 tons, and so on.

Soviet co-operation in the world socialist market is of a mutually advantageous character. In 1960, almost three-fourths of the Soviet imports of foreign machines and equipment came from the German Democratic Republic, Czechoslovakia, Hungary, Poland and other socialist countries. Almost two-thirds of the Soviet imports of petroleum products and other fuel and various materials for the heavy industry likewise came from the socialist countries. Similarly, Soviet imports of non-ferrous metals -- tin, zinc, lead -- and other raw materials were almost completely ensured by deliveries from the socialist countries.

A more detailed study of the list of items exchanged between the USSR and the other socialist countries vividly shows the huge scale of the trade between these countries. This trade is developing on the basis of an all-sided account of the requirements of all the countries taking part in it, co-ordination of their plans of economic development, and the implementation of the highest forms of economic co-operation -- specialisation and co-operation of inter-related branches. The production of general products is concentrated in one or a few countries with the purpose of satisfying the common requirements of the countries of the world socialist system. Substantial progress has been achieved in machine-building and chemistry in a number of socialist countries precisely because the rational international socialist division of labour rests on such effective vehicles as specialisation and co-operation of production. Extensive and fruitful work is also being conducted in inter-state specialisation and in other spheres of the economy of the socialist countries, including agriculture, the manufacture of farm machines, the production of fertilisers, seed selection, and so forth.

The Economic Aid Council, set up more than 13 years ago (in January 1949) is playing a steadily greater role in the utilisation of the advantages of the international socialist division of labour. For example, blast-furnace equipment is produced in the USSR, Czechoslovakia and Poland;

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chemical equipment in the German Democratic Republic; Poland, Czechoslovakia and Hungary are specialising in certain types of rolled stock; Czechoslovakia produces machinery for the leather and footwear industry, and the German Democratic Republic for the production of knitgoods. The production of cars -- trucks and farm machines (for example, grain harvester combines) -- is being more rationally distributed among the industrially developed socialist countries. Duplication in the output of similar type machine-tools is being eliminated, the unjustifiably big range of types and kinds of metal-cutting machines is being reduced, and so on. The close co-operation between the USSR and the other socialist countries has actively helped to set up new branches of industry in these countries: oil equipment in Rumania, farm machines in Bulgaria and Rumania, power machine-building in Poland, Bulgaria and Rumania, and auto-transport machine-building in Poland and Rumania. As is clearly stated in the Programme of the CPSU: "The co-operation between the socialist states is allowing each of them to make the most rational and fullest use of its resources and develop its productive forces. A new type of international division of labour is taking shape in the process of the economic, scientific and technical co-operation among the socialist countries, in the process of co-ordinating their plans of economic development".

Soviet long-term and short term credits to the socialist countries are considerably enlarging the turnover of their foreign trade and strengthening the economic relations of all the countries of the world system of socialism. The terms of these credits are extremely favourable and advantageous to the countries receiving them, and far from burdening their economy and balance of payments, they stimulate their economic development and consolidate <sup>the</sup> international standing of their currencies and credit.

The foreign trade of the socialist countries is steadily expanding and has a firm prospect for further development. For example, Czechoslovakia is extending to Poland a credit of 192,500,000 rubles for the construction of sulphur and coal mines and for the development of copper deposits. The USSR and Czechoslovakia are helping Bulgaria to develop the output of ferrous and non-ferrous metal ores.

The rapid growth of the foreign trade turnover of the socialist countries is quite natural: in the ten-year period 1950-1960 the volume of trade between them increased 3.4 times, while the trade between the capitalist countries did not even double (it increased by 93 per cent). These high rates of growth of the foreign trade of the USSR and other countries of the world socialist market are due not to any external (market) factors, but stem from the general rapid growth of their economy.

#### 4. Expansion of Soviet Trade with Economically Underdeveloped Countries

Soviet trade with many economically underdeveloped countries has expanded considerably in the past few years. This is not a casual development but the direct result of the

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Leninist foreign policy of the USSR. The promotion of economic relations with countries that have shaken off the yoke of colonialism is one of the principal tasks of the Soviet Union's foreign policy. It is founded on the Leninist policy of friendship and co-operation with all peaceful states, regardless of their social system.

Soviet trade with countries that have won their independence and have taken the road of independent development has increased more than three-fold in the past five years. The USSR has established direct trade relations with many economically underdeveloped countries.

It must be pointed out that in its foreign trade the USSR takes into consideration the level of prices in the principal world markets, but by no means copies these prices or reproduces them automatically.

As everybody knows, the economically underdeveloped countries, as a rule, suffer tremendous material losses in their trade with industrially developed capitalist countries. This is also true with regard to the sale of their raw materials and foodstuffs in capitalist markets and to the purchase by them of manufactured goods -- from consumer goods to machines and equipment -- in the USA and other industrial countries.

In trade transactions with economically underdeveloped countries and especially in cases where trade agreements covering a sufficiently long period are signed with these countries and Soviet credits are extended to them, the prices are established on a reciprocally advantageous basis, while the Soviet credits, granted on favourable terms, help to consolidate their state independence.

The volume of trade with 14 Asian economically underdeveloped countries amounted to more than 417 million rubles (104 million rubles with India, 102 million rubles with Malaya, 44 million rubles with Afghanistan, 43 million rubles with Indonesia and similarly large sums with Iran, Iraq, Syria, Turkey, Ceylon, Burma, Cambodia, Yemen, Thailand, Lebanon and Pakistan ). In 1960, Soviet trade with industrially developed Japan added up to 124 million rubles.

There has also been much progress in recent years in Soviet trade with 13 young African states. In 1960, the turnover with them amounted to almost 272 million rubles. The biggest share of this sum, 172 million rubles, fell to the Egyptian region of the United Arab Republic, followed by Ghana with 24,500,000 rubles and Rhodesia with 23,800,000 rubles. Smaller sums of this turnover fell to the share of Sudan, Guinea, Morocco, Nigeria, Uganda, Ivory Coast, Tunis, Algiers, Ethiopia and Cameroon. The volume of trade with the Republic of South Africa amounted to 6,800,000 rubles.

In 1960, trade with five Latin American countries came to nearly 218 million rubles (157 million rubles with Cuba, 32 million rubles with Argentina, nearly 23 million rubles with Brazil). The USSR granted Cuba a credit amounting to 90 million new rubles (100 million dollars) for the purchase

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of Soviet machines and equipment, concluded long-term trade agreement with her, and in 1960 delivered to her 2,100,000 tons of petroleum and petroleum products, and a considerable quantity of rolled ferrous metals, foodstuffs, cotton, chemical and other goods. For her purchases in the USSR, Cuba is paying with her basic commodity - sugar (in 1960--1,468,000 tons) -- and also with certain other goods.

The year 1960 witnessed some progress in Soviet trade with Australia(31,600,000 rubles, including the purchase of 29,600,000 rubles' worth of wool) and New Zealand(25 million rubles).

As a whole, "in the years that have elapsed since the Twentieth Congress of our Party, years that have been filled with the heroic struggle of the peoples of many countries of Africa, Asia and Latin America for their freedom and independence, the Soviet Union has consistently and perseveringly pursued a policy of promoting and strengthening economic relations with these countries and has thereby rendered them active assistance in the struggle against colonialism and its consequences -- economic backwardness and poverty".

It is symptomatic that in 1960 the turnover of Soviet trade with the economically backward countries increased by more than 25 per cent.

The political foundation for expanding reciprocally advantageous economic co-operation between the USSR and many of the abovementioned countries is undoubtedly favourable. In this connection, one of the tasks set by the CPSU in the sphere of international relations, is to "strengthen relations of fraternal friendship and close co-operation with the states of Asia, Africa and Latin America struggling to achieve and consolidate national independence, with all peoples and countries working to preserve peace."

##### 5. Expansion of Soviet Trade with the Capitalist World

World opinion is well aware of the firm line that the CPSU and the Soviet Government are steering in international economic relations: the development of trade exchanges with the capitalist countries, including the industrially developed capitalist countries, is a healthy foundation for the peaceful co-existence of states with different social systems. N.S.Khrushchov, Chairman of the Council of Ministers of the USSR, has on many occasions, which include two appearances on the lofty rostrum of the U.N. General Assembly in 1959 and in 1960, addressed the Western countries with the words "Instead of arming, let us trade".

Foreign trade, is, undoubtedly, one of the major forms of international economic co-operation. In spite of all difficulties and barriers, Soviet trade with the capitalist countries has been gradually growing since 1953. With some Western countries (and with Japan), the increase in trade of



the USSR rests on long-term agreements. These agreements give the relations of the countries participating in this trade a stabler character. The ban placed by the USA and other western countries on the export of certain goods to the USSR (and other socialist countries) under the false pretext that they are "strategic", the discrimination aimed at hindering the foreign trade of the USSR and other socialist countries, the policy of closed trade blocs and other manifestations of the cold war are preventing the expansion of international economic co-operation and a general normalisation of international economic relations.

It is quite obvious that the Western powers should as soon as possible -- in their own interests -- reject the obsolete view that our country is a source for the supply of raw materials and foodstuffs. The real fact is that more than half the total exports from the USSR comprise industrial goods -- products of the machine-building, metallurgical, petroleum and other industries. In order to understand clearly the basic changes that have taken place in the structure of Soviet foreign trade, it is sufficient to point out that prior to the Second World War the above mentioned industries accounted for only 15 per cent of the Soviet exports, and today they provide more than 50 per cent of the total volume of Soviet exports. Moreover, prior to the war more than half the foreign currency receipts came from the export of grain, timber, and fur, while at present these items bring only 15 per cent of the foreign currency receipts of Soviet exports.

The USSR has long ago become a highly industrialised country, and business circles in the West should draw the logical conclusion from this development and demand not only the traditional items of Soviet export, that are well known in European and other markets, but also products of the Soviet machine-building and other modern industries of the USSR.

Some American and West-European newspapers have carried misinforming articles alleging that the USSR "does not have export resources" and has, for that reason, "nothing to sell." The best reply to these false assertions would be the following reference: in the period 1956-1960 alone, the Soviet Union exported more than 100 million tons of petroleum and petroleum products, over 10 million tons of ferrous and non-ferrous metals, more than 60 million tons of iron ore, 4,500,000 tons of manganese ore, nearly 30 million cubic metres of sawntimber and a considerable quantity of many other items.

The export of many Soviet goods occupies an essential place in the foreign trade of the capitalist countries. For example, in 1960, Soviet sawntimber imports in Britain amounted to 21 per cent of the total volume of sawntimber imported by that country, 30 per cent of her imports of pit props, 31 per cent of her flax, 33 per cent of her fur, 28 per cent of her manganese ore, and so on.

In 1960, the total increase in the volume of Soviet trade with the industrially developed capitalist countries, brought the volume of this trade up to almost 2,000 million rubles (2,200 million dollars). In the past five year Soviet trade

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increased the most with the Federal Republic of Germany (six times), Italy (5.7 times), Austria (3.3 times), France (two times) and Britain (25 per cent), while in the Far East Soviet trade with Japan increased from 3,600,000 to 123,900,000 rubles.

Soviet imports of machines, equipment, industrial raw materials and consumer goods are likewise very considerable from the industrially developed capitalist countries. These purchases and orders covering more or less long periods give the suppliers a stable and very capacious market. In 1960, the USSR imported from the above countries nearly 70 per cent of its imports of equipment for the chemical industry, nearly 50 per cent of the equipment for the light industry, more than 75 per cent of its imported rolled ferrous metals, more than 20 per cent of its imported metal-cutting lathes, equipment for the light industry, and so forth.

Our task is not to give a detailed review of the state and development of Soviet foreign trade with individual capitalist countries, and we shall therefore limit ourselves to a few illustrations. For example, despite the undoubted progress that has been made in the trade between the Soviet Union and Britain, one can say with sufficient grounds that the possibility for a further growth of Anglo-Soviet 5-year trade is far from having been exhausted either for the value of the goods or for their assortment. The "temporary trade agreement" signed on February 16, 1934, or more than a quarter of a century ago, still serves as the legal basis for trade between the two countries. The Anglo-Soviet trade agreement, signed on May 24, 1959, provides for replacing the above agreement with a treaty on trade and navigation. Much effort was spent by both countries on preparing the text of such an agreement, but it has yet to be signed.

It is quite obvious that the time has long come for completely abolishing the artificial barriers to international, including Anglo-Soviet, trade. Back in 1954, Member of Parliament Harold Wilson noted that any items can be fitted into the concept of "strategic goods"; for example, "wool can be used as clothes for schoolchildren and for soldiers." In 1956, another M.P., Crossman, drew the correct conclusion that "only the allies of the USA, including Britain," have suffered from the trade restrictions. In September 1956, J.B. Scott, President of the Russian Section of the London Chamber of Commerce, spoke of the possibility of "considerably expanding Anglo-Soviet trade, providing control is lifted from so-called strategic goods".

During the debate on British export trade about a year ago (on February 22, 1961), Member of Parliament Robert Wuff categorically stated that all trade restrictions have long become obsolete and that 620 firms would display their goods at the British Exhibition in Moscow in the summer of 1961 and that at least 50 M.P.'s would directly or indirectly act as representatives of these firms. Similarly, a rebuff is given now and then by the mouthpieces of British business circles to the efforts to hinder the further development of Anglo-Soviet trade. On May 16, 1961, the conservative Times carried a letter to the editor, in which

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the author advocated, with some reservations, an expansion of trade between Britain and the USSR.

In the trade relations between the USSR and the Federal Republic of Germany, mention must be made of their rapid quantitative growth and also of the consolidation of their legal foundation at the close of 1960. After some vascillation by West Germany, a vascillation dictated not by business but by one-sided political interests, representatives of the Federal Republic of Germany and the USSR signed a long-term trade agreement for 1961-1963, a protocol, on prolonging the agreement on general questions of trade and navigation and a number of other documents relating to trade between the two countries. Compared with 1958-1960, the volume of trade in 1961-1963 will increase by approximately 35 per cent. West-German firms will supply equipment for the chemical, metallurgical, mining, and paper and pulp industries, metal-cutting lathes, ships and other goods. The USSR will export to the Federal Republic of Germany petroleum (1,700,000 tons in 1961, 1,800,000 tons in 1962, and 1,900,000 tons in 1963; in addition it will export 810,000 tons of diesel fuel, mazut and petrol annually), sawn timber, metal ores, certain machines and equipment, grain and textile raw material, fur, chemical and other goods.

Soviet trade with France has been expanding in recent years. An agreement on reciprocal deliveries of goods for 1960-1962 was signed in Paris in November 1958. The parties to the agreement provided for an increase of 20 per cent during this three-year period as compared with the volume of trade in 1957-1959.

The list of goods for reciprocal delivery in 1962 was specified and augmented, and provision was made for a further growth of Franco-Soviet trade in the protocol on reciprocal deliveries for 1960-1962 signed in Paris on February 21, 1962.

What state is Franco-Soviet trade in and what are the prospects for its development? An article on this subject by G.P. Ribat appeared in the newspaper Le Monde on August 9, 1961. The author proceeds from the following positions: "The demand for peaceful co-existence, doubling the force of economic considerations, is pushing towards an expansion of the volume of trade; the latter is, at the same time, a good barometer and an excellent instrument of international trade." In the author's opinion, the expansion of the sale of the output of the French machine-building and other industries is hindered by reductions of purchases of Soviet petroleum and petroleum products. And yet "the Soviet Union has become one of our country's chief clients in the sale of machines and equipment (with the exception of cars), including complete sets for factories and the latest equipment, electric locomotives and products of the electrical and radio engineering industries."

At the opening ceremony of the French National Exhibition in Moscow in the summer of 1961, B.S. Polyansky, Chairman of the Council of Ministers of the Russian Federation, noted that the trade turnover between the USSR and France increased from 86,200,000 rubles in 1955 to 183,100,000 rubles

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in 1960, and said that "in recent years the volume of our purchases in France is growing much faster than French imports from our country". It is characteristic that Baumgarther, who was then the French Minister of Finance and Economy, not only recognised the Soviet desire to secure a balance between imports and exports as "quite natural", but also expressed his confidence that "it will be possible to preserve this balance in the developing trade transactions." Providing French firms show a greater interest in the Soviet market, it would be possible considerably to expand Franco-Soviet trade. In a conversation with French businessmen at the Chamber of Commerce in Paris in March 1960, N.S. Khrushchov pointed to the possibility of signing a broad trade agreement between the USSR and France for, say, five years and at least double the turnover.

The following facts indicate the favourable development of trade between the USSR and Italy. A 25 per cent increase over 1960 was provided for the turnover between the two countries in 1961. The new trade agreement, signed in June 1961, provided for an 80 per cent increase in trade in 1962-1965 as compared with 1958-1961. In 1962 the USSR will deliver to Italy 4,200,000 tons of raw petroleum, in 1963 these deliveries will increase to 4,300,000 tons, in 1964 to 4,400,000 tons, and in 1965 to 4,500,000 tons. In addition, the Soviet Union will deliver 800,000 tons of mazut annually. Italian deliveries in 1962-1965 will include a considerable quantity of piping and rolled ferrous metals, equipment for the refrigeration, chemical, pulp and paper, printing and other industries, cable, synthetic rubber, citrus fruit, footwear and other items.

Soviet trade with Finland, Austria and other countries is expanding rapidly. The trade between the USSR and these countries is regulated by long-term trade agreements and embraces a large diversity of goods.

The expansion of trade between the USSR and Japan has caused great dissatisfaction among the ruling circles of the USA. At the close of 1961, under strong pressure from the USA, the Japanese government decided to draw up and submit for parliamentary approval a bill on the setting up of an association of Japanese firms purchasing petroleum and petroleum products abroad in order to prevent separate firms from signing contracts with foreign suppliers, including the Soviet Soyuzneftexport. The signing of a contract by the Idemitsu firm for the purchase of 8,000,000 tons of Soviet petroleum gave rise to this unfriendly act of the Japanese government. It is to be hoped that common sense and the reciprocal advantage of Soviet-Japanese trade will help to find a correct solution to the present difficulties and hindrances standing in the way of its development.

At a reception in August organised by Japanese businessmen in Tokyo, A.I. Mikoyan, First Deputy Chairman of the Council of Ministers of the USSR, said that given favourable conditions, trade between the USSR and Japan could, in the near future, reach the figure of 1,000 million dollars (which is five times higher than the level in 1961).

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In its foreign policy, including international economic relations, the Soviet Union steadfastly proceeds from the great Leninist principles of peaceful co-existence of states with different social systems.

"Broad development of world trade, cultural exchanges and other forms of intercourse between peoples must play an important role in relaxing international tension and strengthening mutual trust", states the Resolution that was adopted at the Twenty-Second Congress of the CPSU.

As a general conclusion on the trade of the USSR and other socialist countries with capitalist states, one can reiterate that peaceful co-existence and peaceful economic co-operation and competition between countries belonging to different social and economic systems bring reciprocally useful results where businessmen and government bodies show a sincere desire to co-operate in the economic field on the basis of principles calling for the strengthening of national sovereignty, non-interference in internal affairs and reciprocal advantage.

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FOREIGN TRADE OF THE U.S.S.R.

1. Essence and Basic Features of Soviet Foreign Trade

The development of international economic co-operation is giving each country the possibility of enjoying the benefits and advantages of an international division of labour. Apart from material benefits, this strengthens mutual trust between countries, draws all the states of the world closer together and serves to maintain peaceful relations between them.

Speaking in the Soviet Pavilion at the Leipzig Fair, N.S. Khrushchov, First Secretary of the Central Committee of the CPSU and Chairman of the Council of Ministers of the USSR, noted: "Foreign trade is a firm and healthy basis for successfully promoting peaceful co-existence between states with different social and economic systems. Moreover, economic relations create a good foundation for strengthening political relations between countries. Broad development of trade plays an important role in strengthening mutual trust between peoples and in relaxing international tension."

A directive of the Twenty-Second Congress of the CPSU, the policy of the CPSU and the Soviet State aimed at promoting international co-operation in trade fulfils the great Leninist principle of peaceful co-existence between all states regardless of their social system.

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Foreign trade is an important organic part of the national economy of our country. At all stages of the history of the USSR foreign trade has been and continues to be conducted on the basis of state monopoly (Article 14 of the Constitution of the USSR) and in strict conformity with plans of economic development.

In the course of a period of more than 40 years, the export of numerous Soviet goods that have won world recognition for their high quality has made it possible to purchase various foreign goods-- machines, equipment, means of transport, ferrous and non-ferrous metals, natural rubber and other industrial raw materials, farm implements, foodstuffs and consumer goods-- to speed up and enlarge the scale of the country's industrialisation, mechanise socialist agriculture and satisfy the requirements of Soviet society as fully as possible. At the present stage, foreign trade is utilised by the Soviet state as an additional source for accelerating the rate of building the material and technical basis of communism in our country.

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At the same time, the development of socialist states in a single world system of socialism is speeding up the building of socialist economy and a socialist social system in the People's Democracies of Europe and Asia and opens up the prospect for a more or less simultaneous transition to communism within a single historical epoch. "The CPSU proceeds from the fact that the existing forms of economic relations between the socialist countries--foreign trade relations, co-ordination of national-economic plans, specialisation and co-operation of production -- will increasingly develop and improve," states the Programme of the CPSU.

Development of the international trade relations of the USSR expands the direct business contacts of Soviet economy with the rest of the world, keeps our economic workers abreast of the situation in the world markets and helps to utilise the international division of labour in the interests of communist construction.

The formation of a world system of socialism, the collapse of the colonial system, the liberation of many countries from colonial dependence and the winning by them of political independence have had and continue to have an important influence on Soviet foreign trade. At the Twentieth, Twenty-First and Twenty-Second Congresses of the CPSU, Soviet foreign trade was given the following tasks:

to actively promote the further strengthening of the economic might of the world socialist system and to expand production relations between them through deliveries of machines, equipment, industrial raw materials, fuel and other items;

to render effective assistance to the former colonial and dependent countries that have taken the road of independent state development, to help them surmount their age-old backwardness speedily and strengthen their economic independence:

to continue expanding trade relations with the capitalist world and thereby help to develop friendly relations between states and nations on the basis of the peaceful co-existence and economic co-operation of equal participants in international relations.

In the modern epoch, broad international recognition of the principle of peaceful co-existence creates the only acceptable basis of mutual relations between states with different social systems. Among the tasks in international relations, the Twenty-Second Congress of the CPSU issued the following directive: "to pursue a policy aimed at promoting international co-operation in trade, cultural relations, science and technology."

Stable prices over a prolonged period (of at least one year) and computed on the basis of average prices for the corresponding goods at the principal world markets with account taken of the cost of delivery to the ports or to the frontier railway stations of the contractor countries is one

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of the features of the foreign trade of the USSR.

The extension of loans and long-term and short-term credits to the socialist countries on favourable conditions (2 per cent interest per annum, while for the credit granted to the Chinese People's Republic -- 1 per cent per annum) is helping to expand their foreign trade relations with the USSR and consolidate economic exchanges between all countries of the world system of socialism. The USSR is granting credits to some capitalist countries as well, to Finland, for example.

Large credits have been extended by the Soviet Union to former colonial and dependant countries. A feature of these credits is the favourable terms on which they are granted -- 2.5 per cent interest per annum for the use of the credits and repayment not in gold, or convertible currency but through the export of the traditional goods of these countries. The absence of any additional economic or political conditions has made it possible considerably to enlarge the trade turnover between the USSR and these countries.

The long-term agreements that the USSR has signed with many capitalist countries-- Britain, Federal Republic of Germany, Italy, France, Finland and the Scandinavian countries, Austria, Japan and others -- are consolidating the basis for developing trade exchanges between the USSR and these countries. Soviet trade with some of these countries has increased noticeably in recent years.

In the course of the fulfilment of the Seven-Year Plan (1959-1965), the world socialist system will account for a steadily larger portion of the world industrial output, and not later than by 1965 the countries of the world system of socialism will be producing more than half the world's industrial output. There will be a considerable increase in the output of farm products in the USSR, of oil, ores, timber and other items of our country's rich resources. This will create the necessary material basis for the successful promotion of Soviet trade with foreign countries.

In 1961, the volume of Soviet foreign trade reached the level planned for 1962 and amounted to 10,500 million rubles. There are sufficient grounds for expecting that during the current seven-year period, the volume of Soviet foreign trade will be doubled. Soviet economists have estimated that during the next twenty years the volume of Soviet foreign trade can increase four times and over, and this will immeasurably heighten the role of the USSR in international trade. The general rise of the technical level of Soviet industry and agriculture will be accompanied by a drop in production costs, an increase in labour productivity, a further saving in material expenditures and other favourable changes in the economy of the USSR. This, too, will serve as an additional factor giving our country a bigger role in the international division of labour.



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The Soviet Union is a mighty industrial power. Basic changes have taken place in the structure of exports and imports in the course of the development of the foreign trade of the USSR. During the earlier stages of the history of Soviet foreign trade, raw materials and farm products predominated as exports, while in recent years an ever increasing share is occupied by exports of machines, equipment, means of transportation, intricate apparatuses and so on. The USSR is rendering considerable technical aid to many foreign countries. Here the export of means of production, including sets of equipment for entire factories, is economically profitable and reflects the high level of the technology of production at enterprises of socialist industry, and the fast and steady growth of labour productivity.

On the other hand, mention must be made of the fact that in imports there has been an enlargement of purchases of up-to-date technical equipment and of considerable quantities of foodstuffs and consumer goods.

## 2. Emergence of the USSR Into a Leading Place in World Trade

Prior to the Second World War, Soviet participation in the international trade turnover was quite considerable with regard to separate items, chiefly of the fuel, raw materials and foodstuffs groups. However as a whole, the USSR occupied only 16th place among countries participating in world trade.

In the post-war period, there has been a particularly marked growth of Soviet foreign trade in the past seven or eight years. In 1960, for the scale of its participation in international trade, the USSR moved to sixth, and in 1961 to fifth place after the USA, Britain the Federal Republic of Germany and France.

In 1960, the volume of Soviet foreign trade amounted to 5,005,900,000 rubles in exports and 5,066,100,000 rubles in imports, this adding up to 10,072 million rubles at the rate of exchange established on January 1, 1961.

One Soviet ruble contains about 1 gram of fine gold; U.S. \$1 equals 90 kopeks.

In 1960 the value of the imports exceeded the value of the exports by 60,200,000 rubles (in 1959, on the contrary the value of the exports was slightly higher than the value of the imports -- by 30,800,000 rubles).

The share of the trade of the USSR with the socialist countries of Europe and Asia in 1960 accounted for about 72 per cent of the trade turnover (more than 7,200 million rubles), including 97,400,000 rubles in trade with Yugoslavia, while its trade with the capitalist countries added up to a little over 28 per cent of the turnover (2,800 million rubles). Three-quarters of the Soviet trade in the world socialist system is with the European People's Democracies, and one-

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quarter with the People's Democracies of Asia.

In 1960, first place in trade with the USSR was occupied by the German Democratic Republic (1,782,900,000 rubles) and second place by the Chinese People's Republic (1,498,700,000 rubles). That same year, trade with 16 European countries (Federal Republic of Germany, Britain, the Netherlands, Greece, Denmark, Iceland, Spain, Norway, Portugal, Finland, France, Italy, Austria, Sweden, Belgium and Switzerland) amounted to 1,654,600,000 rubles or less than the value of the trade between the USSR and the German Democratic Republic, and a little more than the value of the trade turnover between the Soviet Union and the Chinese People's Republic. In 1960, the trade turnover between the USSR and the Czechoslovak Socialist Republic (1,156,400,000 rubles) was only a little smaller than the trade turnover between the USSR and five capitalist countries that occupy a leading place in Soviet trade with the capitalist world (Federal Republic of Germany -- 286,200,000 rubles; Britain -- 270,500,000 rubles; Finland -- 264 million rubles; France -- 183,100,000 rubles; and Italy -- 173,600,000 rubles; the total coming to 1,177 million rubles). The Soviet Union's 1960 trade turnover with the capitalist countries of Europe ranged from 4,300,000 rubles (Portugal) and 286,200,000 rubles (Federal Republic of Germany).

This means that the capitalist countries of Europe are far from utilising the great benefits of reciprocally advantageous trade with the Soviet Union (and other socialist countries), although the trade turnover of the Soviet Union with a number of capitalist countries has grown substantially in recent years, and, on the other hand, trade between the socialist countries has reached very considerable dimensions. The normalisation of international trade and the lifting of all barriers hindering its growth would undoubtedly be accompanied by a further considerable increase in trade between all countries, irrespective of their social and economic system.

In the past few years the USSR has been trading with more than 80 countries, while in 1955 it traded with 59 countries. The rise of new independent states steadily increases the number of countries with whom the USSR is promoting international economic co-operation.

### 3. Characteristic Features of Soviet Trade with Countries of the World Socialist System

The growing resources and increasing capacity of the world socialist market is strikingly expressed and confirmed by the rapid growth of the turnovers between the socialist countries. While enlarging the framework of the international socialist division of labour, the trade between the Soviet Union and all other countries co-operating in the world socialist market is at the same time accelerating the rates of enlarged socialist reproduction in the People's Democracies of Europe and Asia and speeding up the rates of building a communist society in the USSR. In 1961, the countries of socialism accounted for about 36 per cent of

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the world industrial production.

The systematic rise of the general level of economic development of the socialist countries is being facilitated by large deliveries of first-class Soviet machines and equipment (about nine-tenths of the entire Soviet exports in this group), rolled ferrous metals (up to four-fifths of the Soviet exports) and many other industrial goods. Deliveries of grain (more than 70 per cent of the Soviet grain exports) to the socialist countries are enabling these countries to achieve a substantial rise in the level of popular consumption, while during crop failures (due to drought, floods and so on) to compensate for the shortage in grain.

Quantitatively, annual Soviet deliveries of various goods to the socialist countries are very big: for example, in 1960 the Soviet exports of iron ore amounted to 14,300,000 tons, of petroleum products to 5,900,000 tons, of rolled ferrous metals to 2,300,000 tons, and so on.

Soviet cooperation in the world socialist market is of a mutually advantageous character. In 1960, almost three-fourths of the Soviet imports of foreign machines and equipment came from the German Democratic Republic, Czechoslovakia, Hungary, Poland and other socialist countries. Almost two-thirds of the Soviet imports of petroleum products and other fuel and various materials for the heavy industry likewise came from the socialist countries. Similarly, Soviet imports of non-ferrous metals -- tin, zinc, lead -- and other raw materials were almost completely ensured by deliveries from the socialist countries.

A more detailed study of the list of items exchanged between the USSR and the other socialist countries vividly shows the huge scale of the trade between these countries. This trade is developing on the basis of an all-sided account of the requirements of all the countries taking part in it, co-ordination of their plans of economic development, and the implementation of the highest forms of economic co-operation -- specialisation and co-operation of inter-related branches. The production of general products is concentrated in one or a few countries with the purpose of satisfying the common requirements of the countries of the world socialist system. Substantial progress has been achieved in machine-building and chemistry in a number of socialist countries precisely because the rational international socialist division of labour rests on such effective vehicles as specialisation and co-operation of production. Extensive and fruitful work is also being conducted in inter-state specialisation and in other spheres of the economy of the socialist countries, including agriculture, the manufacture of farm machines, the production of fertilisers, seed selection, and so forth.

The Economic Aid Council, set up more than 13 years ago (in January 1949) is playing a steadily greater role in the utilisation of the advantages of the international socialist division of labour. For example, blast-furnace equipment is produced in the USSR, Czechoslovakia and Poland;

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chemical equipment in the German Democratic Republic; Poland, Czechoslovakia and Hungary are specialising in certain types of rolled stock; Czechoslovakia produces machinery for the leather and footwear industry, and the German Democratic Republic for the production of knitgoods. The production of cars -- trucks and farm machines (for example, grain harvester combines) -- is being more rationally distributed among the industrially developed socialist countries. Duplication in the output of similar type machine-tools is being eliminated, the unjustifiably big range of types and kinds of metal-cutting machines is being reduced, and so on. The close co-operation between the USSR and the other socialist countries has actively helped to set up new branches of industry in these countries: oil equipment in Rumania, farm machines in Bulgaria and Rumania, power machine-building in Poland, Bulgaria and Rumania, and auto-transport machine-building in Poland and Rumania. As is clearly stated in the Programme of the CPSU: "The co-operation between the socialist states is allowing each of them to make the most rational and fullest use of its resources and develop its productive forces. A new type of international division of labour is taking shape in the process of the economic, scientific and technical co-operation among the socialist countries, in the process of co-ordinating their plans of economic development".

Soviet long-term and short term credits to the socialist countries are considerably enlarging the turnover of their foreign trade and strengthening the economic relations of all the countries of the world system of socialism. The terms of these credits are extremely favourable and advantageous to the countries receiving them, and far from burdening their economy and balance of payments, they stimulate their economic development and consolidate their international standing of their currencies and credit.

The foreign trade of the socialist countries is steadily expanding and has a firm prospect for further development. For example, Czechoslovakia is extending to Poland a credit of 192,500,000 rubles for the construction of sulphur and coal mines and for the development of copper deposits. The USSR and Czechoslovakia are helping Bulgaria to develop the output of ferrous and non-ferrous metal ores.

The rapid growth of the foreign trade turnover of the socialist countries is quite natural: in the ten-year period 1950-1960 the volume of trade between them increased 3.4 times, while the trade between the capitalist countries did not even double (it increased by 93 per cent). These high rates of growth of the foreign trade of the USSR and other countries of the world socialist market are due not to any external (market) factors, but stem from the general rapid growth of their economy.

#### 4. Expansion of Soviet Trade with Economically Underdeveloped Countries

Soviet trade with many economically underdeveloped countries has expanded considerably in the past few years. This is not a casual development but the direct result of the

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Leninist foreign policy of the USSR. The promotion of economic relations with countries that have shaken off the yoke of colonialism is one of the principal tasks of the Soviet Union's foreign policy. It is founded on the Leninist policy of friendship and co-operation with all peaceful states, regardless of their social system.

Soviet trade with countries that have won their independence and have taken the road of independent development has increased more than three-fold in the past five years. The USSR has established direct trade relations with many economically underdeveloped countries.

It must be pointed out that in its foreign trade the USSR takes into consideration the level of prices in the principal world markets, but by no means copies these prices or reproduces them automatically.

As everybody knows, the economically underdeveloped countries, as a rule, suffer tremendous material losses in their trade with industrially developed capitalist countries. This is also true with regard to the sale of their raw materials and foodstuffs in capitalist markets and to the purchase by them of manufactured goods -- from consumer goods to machines and equipment -- in the USA and other industrial countries.

In trade transactions with economically underdeveloped countries and especially in cases where trade agreements covering a sufficiently long period are signed with these countries and Soviet credits are extended to them, the prices are established on a reciprocally advantageous basis, while the Soviet credits, granted on favourable terms, help to consolidate their state independence.

The volume of trade with 14 Asian economically underdeveloped countries amounted to more than 417 million rubles (104 million rubles with India, 102 million rubles with Malaya, 44 million rubles with Afghanistan, 43 million rubles with Indonesia and similarly large sums with Iran, Iraq, Syria, Turkey, Ceylon, Burma, Cambodia, Yemen, Thailand, Lebanon and Pakistan). In 1960, Soviet trade with industrially developed Japan added up to 124 million rubles.

There has also been much progress in recent years in Soviet trade with 13 young African states. In 1960, the turnover with them amounted to almost 272 million rubles. The biggest share of this sum, 172 million rubles, fell to the Egyptian region of the United Arab Republic, followed by Ghana with 24,500,000 rubles and Rhodesia with 23,800,000 rubles. Smaller sums of this turnover fell to the share of Sudan, Guinea, Morocco, Nigeria, Uganda, Ivory Coast, Tunis, Algiers, Ethiopia and Cameroon. The volume of trade with the Republic of South Africa amounted to 6,800,000 rubles.

In 1960, trade with five Latin American countries came to nearly 218 million rubles (157 million rubles with Cuba, 32 million rubles with Argentina, nearly 23 million rubles with Brazil). The USSR granted Cuba a credit amounting to 90 million new rubles (100 million dollars) for the purchase

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of Soviet machines and equipment, concluded long-term trade agreement with her, and in 1960 delivered to her 2,100,000 tons of petroleum and petroleum products, and a considerable quantity of rolled ferrous metals, foodstuffs, cotton, chemical and other goods. For her purchases in the USSR, Cuba is paying with her basic commodity - sugar (in 1960--1,488,000 tons) -- and also with certain other goods.

The year 1960 witnessed some progress in Soviet trade with Australia(31,600,000 rubles, including the purchase of 29,600,000 rubles' worth of wool) and New Zealand(25 million rubles).

As a whole, "in the years that have elapsed since the Twentieth Congress of our Party, years that have been filled with the heroic struggle of the peoples of many countries of Africa, Asia and Latin America for their freedom and independence, the Soviet Union has consistently and perseveringly pursued a policy of promoting and strengthening economic relations with these countries and has thereby rendered them active assistance in the struggle against colonialism and its consequences -- economic backwardness and poverty".

It is symptomatic that in 1960 the turnover of Soviet trade with the economically backward countries increased by more than 25 per cent.

The political foundation for expanding reciprocally advantageous economic co-operation between the USSR and many of the abovementioned countries is undoubtedly favourable. In this connection, one of the tasks set by the CPSU in the sphere of international relations, is to "strengthen relations of fraternal friendship and close co-operation with the states of Asia, Africa and Latin America struggling to achieve and consolidate national independence, with all peoples and countries working to preserve peace."

##### 5. Expansion of Soviet Trade with the Capitalist World

World opinion is well aware of the firm line that the CPSU and the Soviet Government are steering in international economic relations: the development of trade exchanges with the capitalist countries, including the industrially developed capitalist countries, is a healthy foundation for the peaceful co-existence of states with different social systems. N.S.Khrushchov, Chairman of the Council of Ministers of the USSR, has on many occasions, which include two appearances on the lofty rostrum of the U.N. General Assembly in 1959 and in 1960, addressed the Western countries with the words "Instead of arming, let us trade".

Foreign trade, is, undoubtedly, one of the major forms of international economic co-operation. In spite of all difficulties and barriers, Soviet trade with the capitalist countries has been gradually growing since 1953. With some Western countries (and with Japan), the increase in trade of

the USSR rests on long-term agreements. These agreements give the relations of the countries participating in this trade a stabler character. The ban placed by the USA and other western countries on the export of certain goods to the USSR (and other socialist countries) under the false pretext that they are "strategic", the discrimination aimed at hindering the foreign trade of the USSR and other socialist countries, the policy of closed trade blocs and other manifestations of the cold war are preventing the expansion of international economic co-operation and a general normalisation of international economic relations.

It is quite obvious that the Western powers should as soon as possible -- in their own interests -- reject the obsolete view that our country is a source for the supply of raw materials and foodstuffs. The real fact is that more than half the total exports from the USSR comprise industrial goods -- products of the machine-building, metallurgical, petroleum and other industries. In order to understand clearly the basic changes that have taken place in the structure of Soviet foreign trade, it is sufficient to point out that prior to the Second World War the above mentioned industries accounted for only 15 per cent of the Soviet exports, and today they provide more than 50 per cent of the total volume of Soviet exports. Moreover, prior to the war more than half the foreign currency receipts came from the export of grain, timber, and fur, while at present these items bring only 15 per cent of the foreign currency receipts of Soviet exports.

The USSR has long ago become a highly industrialised country, and business circles in the West should draw the logical conclusion from this development and demand not only the traditional items of Soviet export, that are well known in European and other markets, but also products of the Soviet machine-building and other modern industries of the USSR.

Some American and West-European newspapers have carried misinforming articles alleging that the USSR "does not have export resources" and has, for that reason, "nothing to sell." The best reply to these false assertions would be the following reference: in the period 1956-1960 alone, the Soviet Union exported more than 100 million tons of petroleum and petroleum products, over 10 million tons of ferrous and non-ferrous metals, more than 60 million tons of iron ore, 4,500,000 tons of manganese ore, nearly 30 million cubic metres of sawntimber and a considerable quantity of many other items.

The export of many Soviet goods occupies an essential place in the foreign trade of the capitalist countries. For example, in 1960, Soviet sawntimber imports in Britain amounted to 21 per cent of the total volume of sawntimber imported by that country, 30 per cent of her imports of ~~cat props~~ <sup>31</sup> per cent of her flax, 33 per cent of her fur, 28 per cent of her manganese ore, and so on.

In 1960, the total increase in the volume of Soviet trade with the industrially developed capitalist countries, brought the volume of this trade up to almost 2,000 million rubles (2,200 million dollars). In the past five year Soviet trade

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increased the most with the Federal Republic of Germany (six times), Italy(5.7 times), Austria(3.3 times), France (two times) and Britain (25 per cent), while in the Far East Soviet trade with Japan increased from 3,600,000 to 123,900,000 rubles.

Soviet imports of machines, equipment, industrial raw materials and consumer goods are likewise very considerable from the industrially developed capitalist countries. These purchases and orders covering more or less long periods give the suppliers a stable and very capacious market. In 1960, the USSR imported from the above countries nearly 70 per cent of its imports of equipment for the chemical industry, nearly 50 per cent of the equipment for the light industry, more than 75 per cent of its imported rolled ferrous metals, more than 20 per cent of its imported metal-cutting lathes, equipment for the light industry, and so forth.

Our task is not to give a detailed review of the state and development of Soviet foreign trade with individual capitalist countries, and we shall therefore limit ourselves to a few illustrations. For example, despite the undoubted progress that has been made in the trade between the Soviet Union and Britain, one can say with sufficient grounds that the possibility for a further growth of Anglo-Soviet 5-year trade is far from having been exhausted either for the value of the goods or for their assortment. The "temporary trade agreement" signed on February 16, 1934, or more than a quarter of a century ago, still serves as the legal basis for trade between the two countries. The Anglo-Soviet trade agreement, signed on May 24, 1959, provides for replacing the above agreement with a treaty on trade and navigation. Much effort was spent by both countries on preparing the text of such an agreement, but it has yet to be signed.

It is quite obvious that the time has long come for completely abolishing the artificial barriers to international, including Anglo-Soviet, trade. Back in 1954, Member of Parliament Harold Wilson noted that any items can be fitted into the concept of "strategic goods"; for example, "wool can be used as clothes for schoolchildren and for soldiers." In 1956, another M.P., Crossman, drew the correct conclusion that "only the allies of the USA, including Britain, " have suffered from the trade restrictions. In September 1956, J.B. Scott, President of the Russian Section of the London Chamber of Commerce, spoke of the possibility of "considerably expanding Anglo-Soviet trade, providing control is lifted from so-called strategic goods".

During the debate on British export trade about a year ago (on February 22, 1961), Member of Parliament Robert Wuff categorically stated that all trade restrictions have long become obsolete and that 620 firms would display their goods at the British Exhibition in Moscow in the summer of 1961 and that at least 50 M.P.'s would directly or indirectly act as representatives of these firms. Similarly, a rebuff is given now and then by the mouthpieces of British business circles to the efforts to hinder the further development of Anglo-Soviet trade. On May 16, 1961, the conservative Times carried a letter to the editor, in which



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the author advocated, with some reservations, an expansion of trade between Britain and the USSR.

In the trade relations between the USSR and the Federal Republic of Germany, mention must be made of their rapid quantitative growth and also of the consolidation of their legal foundation at the close of 1960. After some vacillation by West Germany, a vacillation dictated not by business but by one-sided political interests, representatives of the Federal Republic of Germany and the USSR signed a long-term trade agreement for 1961-1963, a protocol, on prolonging the agreement on general questions of trade and navigation and a number of other documents relating to trade between the two countries. Compared with 1958-1960, the volume of trade in 1961-1963 will increase by approximately 35 per cent. West-German firms will supply equipment for the chemical, metallurgical, mining, and paper and pulp industries, metal-cutting lathes, ships and other goods. The USSR will export to the Federal Republic of Germany petroleum (1,700,000 tons in 1961, 1,800,000 tons in 1962, and 1,900,000 tons in 1963; in addition it will export 810,000 tons of diesel fuel, mazut and petrol annually), sawn timber, metal ores, certain machines and equipment, grain and textile raw material, fur, chemical and other goods.

Soviet trade with France has been expanding in recent years. An agreement on reciprocal deliveries of goods for 1960-1962 was signed in Paris in November 1958. The parties to the agreement provided for an increase of 20 per cent during this three-year period as compared with the volume of trade in 1957-1959.

The list of goods for reciprocal delivery in 1962 was specified and augmented, and provision was made for a further growth of Franco-Soviet trade in the protocol on reciprocal deliveries for 1960-1962 signed in Paris on February 21, 1962.

What state is Franco-Soviet trade in and what are the prospects for its development? An article on this subject by G.P. Ribat appeared in the newspaper Le Monde on August 9, 1961. The author proceeds from the following positions: "The demand for peaceful co-existence, doubling the force of economic considerations, is pushing towards an expansion of the volume of trade; the latter is, at the same time, a good barometer and an excellent instrument of international trade." In the author's opinion, the expansion of the sale of the output of the French machine-building and other industries is hindered by reductions of purchases of Soviet petroleum and petroleum products. And yet "the Soviet Union has become one of our country's chief clients in the sale of machines and equipment (with the exception of cars), including complete sets for factories and the latest equipment, electric locomotives and products of the electrical and radio engineering industries."

At the opening ceremony of the French National Exhibition in Moscow in the summer of 1961, B.S. Polyansky, Chairman of the Council of Ministers of the Russian Federation, noted that the trade turnover between the USSR and France increased from 86,200,000 rubles in 1955 to 183,100,000 rubles

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in 1960, and said that "in recent years the volume of our purchases in France is growing much faster than French imports from our country". It is characteristic that Baumgartner, who was then the French Minister of Finance and Economy, not only recognised the Soviet desire to secure a balance between imports and exports as "quite natural", but also expressed his confidence that "it will be possible to preserve this balance in the developing trade transactions." Providing French firms show a greater interest in the Soviet market, it would be possible considerably to expand Franco-Soviet trade. In a conversation with French businessmen at the Chamber of Commerce in Paris in March 1960, N.S. Khrushchov pointed to the possibility of signing a broad trade agreement between the USSR and France for, say, five years and at least double the turnover.

The following facts indicate the favourable development of trade between the USSR and Italy. A 25 per cent increase over 1960 was provided for the turnover between the two countries in 1961. The new trade agreement, signed in June 1961, provided for an 80 per cent increase in trade in 1962-1965 as compared with 1958-1961. In 1962 the USSR will deliver to Italy 4,200,000 tons of raw petroleum, in 1963 these deliveries will increase to 4,300,000 tons, in 1964 to 4,400,000 tons, and in 1965 to 4,500,000 tons. In addition, the Soviet Union will deliver 800,000 tons of mazut annually. Italian deliveries in 1962-1965 will include a considerable quantity of piping and rolled ferrous metals, equipment for the refrigeration, chemical, pulp and paper, printing and other industries, cable, synthetic rubber, citrus fruit, footwear and other items.

Soviet trade with Finland, Austria and other countries is expanding rapidly. The trade between the USSR and these countries is regulated by long-term trade agreements and embraces a large diversity of goods.

The expansion of trade between the USSR and Japan has caused great dissatisfaction among the ruling circles of the USA. At the close of 1961, under strong pressure from the USA, the Japanese government decided to draw up and submit for parliamentary approval a bill on the setting up of an association of Japanese firms purchasing petroleum and petroleum products abroad in order to prevent separate firms from signing contracts with foreign suppliers, including the Soviet Soyuzneftexport. The signing of a contract by the Idemitsu firm for the purchase of 8,000,000 tons of Soviet petroleum gave rise to this unfriendly act of the Japanese government. It is to be hoped that common sense and the reciprocal advantage of Soviet-Japanese trade will help to find a correct solution to the present difficulties and hindrances standing in the way of its development.

At a reception in August organised by Japanese businessmen in Tokyo, A.I. Mikoyan, First Deputy Chairman of the Council of Ministers of the USSR, said that given favourable conditions, trade between the USSR and Japan could, in the near future, reach the figure of 1,000 million dollars (which is five times higher than the level in 1961).

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In its foreign policy, including international economic relations, the Soviet Union steadfastly proceeds from the great Leninist principles of peaceful co-existence of states with different social systems.

"Broad development of world trade, cultural exchanges and other forms of intercourse between peoples must play an important role in relaxing international tension and strengthening mutual trust", states the Resolution that was adopted at the Twenty-Second Congress of the CPSU.

As a general conclusion on the trade of the USSR and other socialist countries with capitalist states, one can reiterate that peaceful co-existence and peaceful economic co-operation and competition between countries belonging to different social and economic systems bring reciprocally useful results where businessmen and government bodies show a sincere desire to co-operate in the economic field on the basis of principles calling for the strengthening of national sovereignty, non-interference in internal affairs and reciprocal advantage.

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Clearing in the National Economy of the USSR

The process of socialist reproduction on an enlarged scale, as planned production and circulation of material values in the form of commodities, preconditions the circular movement of value and a change of its forms. A necessary factor of this change is the monetary form of value, money and its movement, i.e., the circulation of money. In other words, the turnover of the value of the fund of socialist reproduction is the material foundation of the circulation of money.

Under socialism the circulation of money has developed into a completely new type of money circulation. This is due to the general fundamental difference and advantages of the socialist system of economy, the features of commodity production and money, and the specific features of credit and the banking system under socialism. Under socialism, arising as a necessity out of the conditions of commodity production, the circulation of money basically changes its content, expresses the production relations of socialism, is used by plan to develop the national economy and has its single regulating body--the State Bank, which fulfils the functions of a credit, issue and settlement centre and handles the receipts and disbursements of budgetary funds.

The triumph of socialism in our country gave rise to developed socialist forms of money circulation, which do service for a number of specific socialist spheres of the economic turnover: first, commodities--means of production and articles of consumption; second, the distribution and redistribution of the national income through the financial system; and third, the redistribution of the incomes of socialist economy and of the population through credit. Here, an important feature is that in all sections of the national economy, the circulation of money is planned and there is a strict demarcation between the spheres of cash and non-cash turnover, with the latter playing a steadily increasing role.

Under socialism the division of the circulation of money into cash circulation and a non-cash turnover basically differs from the same division of the money turnover in capitalist economy. In addition to the peculiarities of the very character of money circulation, the difference is, in particular, that under capitalism this division is extremely unsteady and unstable and takes shape spontaneously in accordance with the convenience or personal advantages of the participants in the turnover. Therefore the same transactions may be carried out by non-cash settlements at one time and in cash at another, depending on the state of the market and the solvency of the participants. Major changes in the volume and in the correlation of the volumes of each of these forms of money circulation take place, as was shown by Marx, in the course of the capitalist cycle, i.e., through an increase in non-cash settlements during the phase of a rise and a sharp increase in cash payments during the phase of crises.

In socialist economy the sphere in which cash is used is strictly regulated economically and, in accordance with this,

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legislatively. The possibility of individual participants in the settlements turnover (economic enterprises, organisations or State bodies) demanding cash instead of non-cash settlements as prescribed by the state is excluded.

Socialist economy consists of a huge number of khozraschet state and also co-operative and collective-farm enterprises and organisations. Enterprises and economic organisations are interrelated but independent units, links of a single huge production body, whose activity is founded on socialist ownership and on a single, co-ordinated plan.

Khozraschet is the basic form of running social production at socialist enterprises.

Its essence lies in the unity of a centralised, state, planned leadership with operationally and economically independent enterprises drawing up plans and carrying them out; in reimbursement of the expenditures of enterprises and in creating intra-economic accumulations at the expense of the sale at planned prices of the products produced by them in ensuring the uninterrupted circular movement of funds earmarked for the enterprises and the effective utilisation of these funds. Rational management of economy finds its expression in the achievement of the best possible results in the fulfilment of plans with the smallest possible expenditures with the purpose of fully satisfying the material and cultural requirements of the state and the population.

The circulation of money is of great importance in checking how rationally economy is managed. The sphere of non-cash settlements serves the movement of the gross national product and the distribution and redistribution of the national income. Here the subjects of payments are khozraschet, state, co-operative and collective-farm enterprises and organisations, economic amalgamations (trusts, boards, Economic Councils, Ministries, and so forth), as well as financial and credit bodies of the Soviet state. The objects of payments are: goods, services, fulfilment of work, intra-economic redistribution of turnover funds, accumulations and depreciation deductions, financial obligations of economic bodies to the state, and also financial and credit operations in favour of enterprises and organisations at the expense of state resources. A characteristic feature of this sphere is that whatever their movement in the process of payment, most of the monetary funds remain in the socialised economy.

Non-cash settlements are commodity-money and credit relations that constantly intertwine with the circulation of cash. Means of production and articles of consumption are produced, go into the economic turnover as commodities, and have a price, i.e., a monetary expression of value. Non-cash settlements, through which goods and services are sold and accumulations redistributed, represent the movement of value of the social fund of reproduction as a whole, and also the movement of the value of its parts--reproduction funds of khozraschet socialist enterprises.

A preliminary and determining condition for settlements in general and for non-cash settlements, in particular, is the accumulation of monetary funds in the bank account of an enterprise. These funds may come either from the sphere of cash

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circulation (from the sale of goods or services to the population for cash) or from other enterprises through book entries or lastly, from the bank itself through the granting of credit. Non-cash settlements are an organic part of the monetary turnover. The unity of the monetary turnover--cash and non-cash--is due to the unity of the process of socialist reproduction and is expressed, primarily, in a constant intertwining of cash and non-cash turnovers and in the transfer of monetary funds from one sphere to another.

The replacement of cash payments by book entries and their rational organisation under conditions of direct bank credit are of great importance for a planned regulation of the circulation of money, the formation of bank resources, control over the work of enterprises and reduction of distribution costs.

The system of non-cash settlements now in operation in the Soviet Union did not become established all at once. Its development and formation have a very interesting history. It is part of the history of the fulfilment of Lenin's programme for the utilisation of banking in the construction of socialist society. The reform of credit and settlements, carried through more than thirty years ago, was an important landmark in the history of the rise of the socialist system of settlements in the USSR. This reform abolished commercial credit, which was practised in the early years of Soviet power, and set up the present system of money turnover whose purpose is to promote the further strengthening of khozraschet, improving the organisation of economic relations between socialist enterprises and broadly utilising the ruble as a means of accounting and control.

The organisation of the monetary turnover in the national economy of the USSR is founded on the following conditions: state, co-operative and public enterprises, organisations and institutions must keep their monetary funds in accounts at the bank and all their monetary transactions must be carried out mainly by book entries. Payments of up to 10 rubles are made by these organisations in cash, and in individual cases payments of up to 100 rubles may also be made by them in cash. Trade unions and other public organisations, and also rural budgetary enterprises and collective farms may keep funds and transact payments through savings banks.

The keeping of cash in the tills of enterprises, organisations and institutions and also the payment of expenditures in cash from receipts is permitted within limits of small sums established by the State Bank.

The settlements made by enterprises, organisations and offices are subdivided into:

1. settlements for commercial operations or for freight turnover, as well as for building, assembly and other work and for services;
2. settlements on financial obligations and other non-commercial transactions. This group of settlements includes payments into the budget (turnover tax, deductions from profits, and other tax and non-tax payments); the receipt and repayment of bank loans and the payment to banks of interest for credit; intra-system distribution of working funds and accumulations;

payment from depreciation deductions and profits for the expansion and restoration of basic funds; payment of insurance; receipt of budgetary allocations, and so on.

The reason for this subdivision is that the character of these settlements is different as regards their economic content, the method of organising payment and the role of control played by the State Bank and the Stroibank.

Under non-cash settlements between economic organisations there is a time gap between the delivery of goods or the rendering of services and the receipt of money, this giving rise to definite relations between the supplier (seller) and the buyer and also between them and the corresponding bank with regard to the utilisation of goods and with regard to payments. In the USSR these relations are regulated by a single system of non-cash settlements, which includes the general principles governing these settlements and the concrete conditions of the organisation of payments and the corresponding documents turnover. The system of non-cash settlements ensures timely and uninterrupted payments, the rational utilisation and rapid turnover of material and monetary funds, control by the ruble over the fulfilment of planned tasks and economic contracts.

The following principles underlie the organisation of non-cash settlements. As a rule, settlements must be made immediately after the delivery (or shipment) of goods and the rendering of services or simultaneously with them, commercial credit being excluded and payments being made solely through the bank and under its control, with the agreement of the buyer and providing he has the necessary funds, including credit received from the bank on definite terms.

The non-cash turnover is considered as complete only after funds are credited to the account of the receiver or after the offset of mutual claims.

Non-cash settlements are only made on the basis of documents that instruct the bank to transfer money and are drawn up both by the receiver of funds and, in the corresponding cases, by the payer. Such documents are: payment demands, invoices-payment demands, payment instructions, cheques, remittances, letters of credit and others.

In socialist economy these documents are non-negotiable because the principle of direct bank credit is in force in the Soviet Union.

Extensive work has been done in our country to organise mutual services by the participants in the payments turnover. This has resulted in the creation of unified forms of documentation. Documents drawn up at some enterprises are widely used for the organisation of accounting at others. For example, an invoice made out and presented by a supplier for collection serves for the organisation of accounting in two offices of the bank and is used--after it has been paid--by the bookkeeping department of the buyer. The organisation of mutual services between economic enterprises and the bank on the basis of uniform documentation and yielding a very tangible saving is only possible in socialist economy and is a concrete advantage of the Soviet system of non-cash settlements.

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In our country non-cash settlements are made in the most diverse forms, each of which is designed for a specific uniform documentation, procedure of writing out and sending documents, payment thereof and the transfer of funds to the receiver. Some forms of settlements are adapted to the features of separate branches of economy or of separate economic transactions, to conditions of local or out-of-town economic relations.

A general feature of all the forms of payment under non-commercial transactions is that these payments are, as a rule, made on the basis of instructions by the payers to the bank to transfer funds from their settlement accounts.

Between economic organisations settlements must be made in the acceptance form (akzept), by letter of credit (akkreditiv), through a special account or by payers (economic organisations) handing payment orders made out to the State Bank for payment from their accounts. Acceptance is the most preferable form of settlement. Planned payments, settlements for transit shipments, settlements by cheques from limited and non-limited cheque books, settlement cheques and orders accepted and non-accepted by the bank, settlements covering several separate transactions and so forth have become widespread side by side with the improvement of the above basic forms of non-cash settlements in conformity with the requirements of the national economy and concrete economic conditions of the activity of separate branches of the national economy.

Under the acceptance form of settlements, the payment of documents for goods shipped by the supplier in conformity with the contract or for services is made with the consent of the buyer and under the control of the bank in the established period at that branch of the bank where the buyer has his settlement account.

Under letters of credit for out-of-town settlements and under settlements by cheque from limited books, documents for goods or services are paid for on instructions from the buyer at the bank serving the supplier and under the control of the bank from funds specially deposited by the buyer for this purpose.

The acceptance form of settlements is the most widespread and embraces more than 80 per cent of all the non-cash payments for material values and services.

The reason for this is that the acceptance form has substantial advantages over other forms of settlement and most fully satisfies the requirements of socialist economy with its planned sale of material values. Under the acceptance form of settlements, payment is, after material values have been shipped or after services have been rendered, made at the bank's branch where the payer's settlement account is kept. A preliminary deposit of funds in the account of the payer is thus not a condition for the movement of material values as is the case of settlements by letters of credit or cheques from limited books. The buyer has the possibility of satisfying himself that the supplier has fulfilled the terms of delivery as provided for in the contract. This strengthens control through settlements to ensure that the movement of the gross national product conforms with the national economic plan.



The collection of documents and payments under the acceptance form of settlements through the State Bank's branches gives the latter effective control over the observance of the requirements of khozraschet by both the supplier and the buyer and the fulfilment by them of their contract obligations. Any buyer who delays payment of invoices may, on the initiative of the bank or on the insistence of the supplier, be compelled to leave the goods with himself for "responsible storage", i.e., be forbidden to utilise the goods until he has paid for them.

In the event payment has been made for goods that are found to be of low quality, incomplete or sub-standard, the buyer has the right to claim the writing off of the excess payment from the supplier's account without acceptance of the supplier.

Regulations concerning the acceptance form of settlements make provision for a payment order to be considered accepted if in the fixed term--as a rule, two days for local payments and three days for out-of-town settlements--the payer has not notified the bank of his full or partial refusal to accept the invoice. In the event of non-acceptance, the payer must notify the bank and the supplier of the reasons thereof and state the nature of the violations by the supplier.

The motives of full or partial non-acceptance are strictly regulated by the fundamental terms of deliveries, contracts of economic organisations and rules of the State Bank. The buyer bears material responsibility before the supplier for an unfounded refusal. Acceptance or non-acceptance does not deprive either the supplier or the buyer of the right to file a claim through a court of law or an arbitration commission.

Refusals of acceptance are subdivided into two groups. They are, first, refusals connected with the responsible storage by the buyer of goods for which the invoices have not been accepted and, second, refusals when the buyer accepts the goods shipped to him but for some reason lowers their value. Under refusals connected with the responsible storage, the bank is obliged to control the intactness of the goods concerned. In the event the goods are consumed, their value and a 5 per cent fine is claimed from the payer. Under the corresponding payment turnover the sum of all refusals of acceptance amounted to 2.0 per cent in 1960.

As a result of the strengthening of the contracts discipline, subsequent acceptance is, with the purpose of speeding up settlements, becoming more and more widespread at present side by side with the preliminary acceptance of invoices. The essence of the subsequent acceptance is that the invoice of the supplier is paid on the day it is received by the payer's bank. The settlement is considered complete if in the term established for the acceptance of the invoice the buyer does not state his refusal to pay it. If a refusal of acceptance is received the sum that has been written off the account of the payer is returned to him by the bank and is claimed unconditionally from the supplier as having been wrongly paid.

Subsequent acceptance is applied in local settlements and in settlements for goods and services actually accepted by the buyer, i.e., when the probability of refusal of acceptance of invoices is insignificant.

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A very essential positive side to the acceptance form of settlements, which favourably distinguishes it from certain other forms of non-cash settlements, is the close link of this form of settlements with bank credit, and also the favourable conditions which this form of settlements creates for the organisation and management of the finance of economic organisations and for bank control over their work.

Long experience in non-cash settlements by acceptance has shown that this preferable form of settlement is especially effective when it is combined with the offset of reciprocal claims of economic organisations. In connection with this the share of permanently operating settlements, based on offsetting of reciprocal claims of economic organisations, has risen considerably in the past few years and in 1961 came to 40.3 per cent as against 16.4 per cent in 1946.

It goes without saying that the acceptance form of settlements is inconceivable on such a large scale under conditions of the spontaneous economy of capitalist society.

The experience that has been gained in transacting settlements has shown that the peculiarity of economic relations and the character and procedure of transferring material values cannot be taken into account if there is only one form of reimbursing the value of a product being sold or of the services being rendered.

In order to satisfy the principal requirements of the system of settlements in socialist economy--timeliness of payments, control by the buyer over the supplier and control by the bank over the documents turnover and over payments--the forms of settlements in operation are systematically modified and new forms introduced that are best suited to the specific conditions of relations between economic organisations in separate branches of the national economy. This is one of the cardinal duties of the State Bank in the organisation of settlements, and it fulfils this duty jointly with the directing bodies of enterprises.

In the settlements for goods, services and work, the application of one form of settlements or another in accordance with economic conditions is determined by an agreement between economic organisations, i.e., between the payer and payee.

In separate cases, decisions of the Government provide for the form of settlements. For example, budgetary enterprises and trade union organisations must settle for local deliveries of material values solely through payment orders or settlement cheques accepted by the bank.

At the same time, the supplier and the bank are given the right to determine the form of settlement, as a sanction, in the case of unpunctual payers, badly working enterprises or enterprises systematically accumulating above-plan stocks of material values.

From the legal side, the sense of such a sanction is that in some cases the supplier, in accordance with the basic terms of the delivery of material values, or on the basis of the obligations of the parties recorded in an economic contract with the buyer, and in other cases, the bank, as control by the ruble,

deprive the buyer of the right of resorting to forms of non-cash settlements that would allow him to utilise material values before they are paid for (for example, acceptance, planned payments, payment orders and cheques unaccepted by the bank)

The buyer, however, retains the right to settle with the supplier with the aid of those forms of non-cash settlements that are linked with a special deposit in the bank by the buyer to pay for material values and services. These forms of settlements include, as we have already mentioned, letters of credit, cheques from a limited book and payment orders accepted by the bank.

Consequently, the purpose of the above sanctions of the bank and the supplier is to deprive an unpunctual payer or a badly working economic organisation of the possibility of utilising the material values and funds of the supplier while delaying payment for them.

An unpunctual payer is thereby placed under special conditions of control by the ruble, and to ensure uninterrupted production he must improve his work, mobilise in his economy the funds necessary for the preliminary payment of the invoices of suppliers. Being placed under a special, more rigid regime of settlements with suppliers for material values and services, a badly working economic organisation is not completely deprived of the right of receiving credit aid from the bank. However, credit to such an enterprise can be extended on the sole condition that the bank thoroughly scrutinises its economic and financial position and providing the economic organisation itself and a higher body, for example, an Economic Council, give an undertaking that the shortcomings in the organisation are eliminated within a definite short period. In some cases, the bank may even require a monetary guarantee from the Economic Council or some other economic body to which the badly working enterprise is subordinated.

The planned character of the circular movement of funds in socialist economy ensures the financial stability of enterprises and their solvency. There are no conditions for crises of overproduction in the USSR. Enterprises have a guaranteed planned market for the sale of their products at stable state prices and have the necessary financial resources for fulfilling plan tasks.

Various forms of payments are used in our economy side by side with the differentiated variety of forms of documents turnover under non-cash settlements adapted to the features of economic relations. The method of payment plays a determining role in non-cash settlements.

The very essence of non-cash settlements, i.e., the transfer of funds from one account to another, is concretely manifested in the methods of payment. The circular movement of the funds of a payer begins, as a rule, with payment, and thereby ensures the completion of the circular movement of the funds of a supplier. The method of payment should be taken to mean the organisational form of substituting non-cash settlements for cash founded on definite payment sources.

In our economy the following methods of payment are in use:

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1. Transfer of funds from the settlement or current account of the buyer to the account of the supplier.
2. Extension of credit through the transfer of money from the loan (mainly from the special loan) account of the buyer to the account of the supplier.
3. Offset of mutual claims of economic organisations.
4. Payment from funds specially deposited in a bank account for definite settlement transactions (letter of credit, special account, cheques from limited books).
5. Transfer of funds by the bank to the account of the supplier with the subsequent reimbursement by the buyer from loans granted by the bank against material values and services. This method of payment is used in the settlements of economic organisations with transport organisations with cheques from unlimited books and in the settlements of organisations (having special loan accounts) with cheques from limited books.

Under socialism, where the economic relations among enterprises and organisations are of a planned, stable character, there are all the requisites for the broadest implementation of mutual compensation of claims. Settlements founded on the mutual compensation of claims of economic organisations, took shape and are successfully developing in our country as a special method of organising payments, i.e., the replacement of cash by credit in the settlements for material values and services.

The essence of settlements founded on the mutual compensation of claims lies in the mutual payment of equal sums on the date stated in monetary obligations connected with the delivery of material values and the rendering of services, with the subsequent payment or receipt of only the difference between the mutual claims.

In organising and transacting all settlements in the national economy (except settlements for capital construction in industry and transport), the State Bank has to strive for the maximum economy. In itself the non-cash form of settlements is not a guarantee of the necessary economy, although it is very important in the sense that it economises on cash. But even a non-cash settlement between enterprises is actually a monetary settlement and requires definite monetary reserves and credit. And the State Bank is not at all indifferent to the size of monetary reserves in the form of liquid funds of economic organisations or the size of the credit required to meet a given volume of payments turnover. Mutual compensation of claims ensures a reduction of the requirement in reserve monetary funds and credit necessary for settlements to the maximum extent.

The role of mutual settlements is increasing steadily. In 1940 they occupied 11.1 per cent of the payments turnover under the main forms of non-cash settlements that went through the State Bank. In 1946 their share of the above turnover amounted to 16.4 per cent, and in 1961 to 40.3 per cent.

The organisation of settlements based on mutual compensation of claims developed in two directions. First, through the permanently operating form of organising offset among participants, who include economic organisations that have

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permanent settlement relations among themselves. Second, through single offset between two and also a group of economic organisations. The permanent offset is based on stable and permanent current payments for material values and services. The task of such offset is to ensure the timeliness of payments, i.e., the normal completion of the circular movement of the funds of the participants in the transactions, with the maximum economy.

The delimitation of the payments turnover and the selection of mutual claims (in the established period, usually three or five days) of economic organisations for goods and services are achieved by the opening of a separate account in the bank for each of the participants in the mutual settlements. The economic grounds for this segregation in a separate account of a periodic offset of mutual obligations of economic organisations is the determining role of the monetary turnover, which directly serves the movement of goods and services -- the basis of material production in the country's national economy.

In 1954-1955, the State Bank reorganised mutual settlements by going over to the decentralised offset at the place where the participants have their settlement accounts. The Bureaus of Mutual Settlements, which existed until then, played an important role in improving the organisation of settlements but proved to be unsuitable for the development of mutual settlements in intra-branch relations and created territorial hindrances to the enlargement of the composition of participants of permanently operating offset.

The development of decentralised offset was very intensive and was accompanied by an enlargement of the circle of participants, the growth of the volume of offset and a rise of its efficacy. As a result of the considerable extension of decentralised offset, the mutual offset of obligations in the total sum of payments claimed through offset amounted to 73.5 per cent in 1961, while credit granted to cover the difference amounted to 9.6 per cent.

The settlement of payments through the bank gives rise to the special task of organising settlements between credit institutions (branches, offices and the Board of Directors of the bank), which carry out the orders of their clients.

The organisation of inter-bank settlements is one of the complicated problems of each ramified banking system. In socialist economy, the task of organising settlements between the numerous institutions of the State Bank and the Stroibank, which are links of the single state banking system, lies in choosing the most expedient system of inter-bank settlements, a system that would meet the interests of the entire national economy.

The present system of mutual settlements between bank institutions in the USSR is based on the decentralised posting of each settlement operation and the checking of it by the respective bank's branch with centralised control of all turnovers by machine computing stations and the mechanised accounting centre.

The system of mutual settlements between the State Bank's branches (we call it the system of inter-branch turnovers), embraces all settlement operations between them and allows for

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the offset of mutual claims between same-town branches of the State Bank and other credit institutions closely linked up with them and located in big towns wherein there are several of the bank's offices. In these towns machine computing stations check the intra-town settlement documents, while the letter of advice is only made out for the balance outstanding on the close of the day for each branch of the bank.

Mention must be made of the organisation of settlements between the State Bank and the Stroibank. The volume of these settlements is very great. They include payments of construction projects to industrial organisations for equipment, payment of part of the depreciation deductions and profits earmarked for capital investments, and other payments.

All of the Stroibank's branches have correspondent accounts with local branches of the State Bank. These accounts are used for settlement operations between the clients of both banks. In the case of local settlements, documents are exchanged daily.

Many of the Stroibank's branches are served by the machine computing stations of the State Bank's local offices, which register all the operations of the Stroibank. This considerably simplifies and speeds up the documents turnover. Out-of-town settlements are speeded up by their inclusion in the general system of inter-branch turnovers of the State Bank. Branches of the Stroibank send their letters of advice directly to the appropriate branch of the State Bank, while copies of these letters of advice are sent to the local State Bank branch, where the given office of the Stroibank has a correspondent account.

Monetary settlements arising in the national economy through the circulation of the gross national product are developing in the USSR side by side with the increasing concentration of the country's monetary turnover in the hands of the State Bank and the replacement of cash payments by non-cash settlements. In the first years of the activity of the State Bank, non-cash settlements amounted to less than half the total monetary turnover that went through the bank, but today they account for nine-tenths of the entire turnover.

With the aim of further improving the system of non-cash settlements, the State Bank records and analyses the turnover in the main forms of non-cash settlements. This non-cash turnover, which is recorded by the State Bank, amounted to 415,200 million rubles in 1961 and increased by 75.2 per cent in the past five years.

The basis for this increase is the development of all branches of economy of the Soviet state and the accompanying growth of industrial and agricultural output.

The prospects for the further rise of the entire national economy and the full utilisation of commodity-money relations, in accordance with the new content acquired by them in the period of socialism, precondition the steady growth and the further improvement of the payments turnover of the Soviet national economy.

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CREDITS GRANTED BY THE USSR TO OTHER COUNTRIES

Until the Second World War, the Soviet Union used foreign credits to develop its foreign trade. However, these credits did not play an essential role in the Soviet Union's national economy. They were relatively small, comprising an insignificant portion of the resources that went into the rehabilitation and reconstruction of the national economy and the country's industrialisation.

The Soviet Union's external economic ties expanded substantially after the Second World War, when the world socialist market took shape. Credit relations are an important element of these ties. The USSR has granted large credits to the other socialist countries and also to industrially underdeveloped and some other countries. Soviet credits play a significant part in developing industry and other branches of the national economy of the socialist countries and promote the growth of the national economy of the industrially underdeveloped countries, helping them to surmount the consequences of the colonial regime. Soviet credits are a model of absolutely new international economic relations that basically differ from the credit relations of the capitalist countries.

The credit relations between the socialist countries are an important form of economic co-operation and mutual aid between them. Soviet credits are intended for production purposes and are linked up with deliveries of various kinds of materials and equipment, which are used for the development of the national economy, primarily the heavy industry, by the countries receiving the credits. On account of the credits granted to them, the Soviet Union supplies them with industrial equipment and machinery, including machinery for complete enterprises, as well as various kinds of other goods needed by the national economy of the countries receiving the credits. The Soviet Union extends credits on favourable terms, the rate of interest being two or three times lower than the rate of interest demanded for the credits being granted by the capitalist countries. Soviet credits have the character of aid to other socialist countries as well as to industrially underdeveloped countries. The credit relations of the USSR with the countries

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receiving credits are built up on principles of mutual advantage and complete equality and are not bound up with any conditions infringing upon the independence of the debtor country. The Soviet Union does not participate in the management or the profits of the enterprises built with the help of its credits, and it does not control these enterprises. When equipment is delivered for the building of a complete enterprise, credits are, as a rule, granted for that part of the construction that the country receiving the credits cannot fulfil independently. The building work itself is done by the national firms of the countries concerned, and this helps to create a national building industry, gives them the technical experience in building big industrial and other enterprises, and promotes the growth of skilled technical personnel in these countries.

Credits are, as a rule, repaid not in currency but through deliveries of goods usually exported by the debtor country. This method of repaying credits does not strain the balances of payments of the debtor countries and does not have any negative effects on the currencies of these countries. Of especial advantage to the debtor countries is the repayment of credits through deliveries of goods manufactured by the enterprises built with the aid of resources received through credits. Under these terms, the country receiving credits does not allocate any export goods manufactured by other enterprises to repay these credits and does not reduce the resources required to pay for imports. Here the source of repayment lies in the very utilisation of the credits.

The Soviet Union's credit relations with the other socialist countries are developing on the basis of the economic laws of socialism. "The socialist system," states the new Programme of the CPSU, "creates the conditions for abolishing the gap, inherited from capitalism, in the level of the economic and cultural development between countries, for a faster development of countries which lagged behind economically under capitalism, and for smoothing out the general level of development of the countries of the socialist commonwealth".

By virtue of historical conditions, there is in some countries of the socialist system an essential difference in the level of development of the productive forces, in the degree of development of industry and agriculture, in the availability of material resources. Credit relations are one of the forms allowing for the most purposeful utilisation of the material resources of the USSR and the other socialist countries to accelerate the development of the productive forces, surmount the backwardness of separate industries and promote the national economy of these countries. Through credits the different countries have the possibility of receiving additional material resources from other countries of the socialist system. The granting of credits by countries that have big economic potentialities helps to promote the economy of countries with smaller economic possibilities and accelerates the development of socialist relations. Many big enterprises are being built in the People's Democracies with the credits being granted by the Soviet Union.



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The socialist countries granting credits are interested in the development of the economy of the countries receiving these credits. Credits promote the growth of the material resources of the countries of the socialist system as a whole, the further development of international economic relations and of the socialist international division of labour.

Credits help to further co-operation among the socialist countries in the most rational utilisation of economic resources and production capacities in the interests of each country and of the socialist system as a whole through co-ordination of the plans of development of separate branches of economy, specialisation and co-operation of industry, and also through exchanges of scientific and technical achievements and advanced production experience.

The USSR extends to the other socialist countries mainly long-term (for a period of over five years) and medium-term (for a period of one to five years) credits. Similar credits are granted by the other socialist countries among themselves. Short-term credits (for a period of up to one year) are granted, chiefly, in the form of a mutually agreed excess of deliveries of goods by one of the parties for a period of one year in the current goods turnover.

The Soviet Union's credit relations with the other socialist countries are inter-government relations, i.e., credits are granted by the government of the USSR to the government of another country. On the basis of inter-government agreements, the foreign trade organisations of the USSR and of the borrower country sign contracts for the delivery of the goods provided for in the credit agreements.

There are no commercial credits in the relations between the foreign trade organisations of the Soviet Union and the other socialist countries, because the home financial resources of each country fully cover the current requirements for crediting foreign trade.

The rate of interest for the credits being granted by the USSR differs fundamentally from the rate of interest in capitalist countries, where it is a part of the profit and plays the role of the price of loan capital.

The rate of interest in the relations between the countries of the socialist system is due to the fact that the country granting credits gives another country material resources, whose equivalent the creditor country only receives after a certain lapse of time. Consequently, the creditor country temporarily withdraws from its national economy material values that could have been used by it in production to obtain an increase in output.

On the other hand, the debtor country receives as credits additional resources, which it uses to increase output and thereby create new material values. A certain, relatively small part of these new values is transferred to the creditor country in the form of interest. Interest is, further, one of the means stimulating the productive utilisation of the resources extended as credits.

In the relations between the socialist countries, the rate of interest is established on an advantageous level and, as a rule, comprises 2 per cent per annum. The cost of the credits being extended by the socialist countries to each other does not contain any hidden elements in the shape of various commissions, increased prices and so on, which are a feature of the credits in the capitalist countries. The principal rate of interest on credits in the capitalist countries is 2-6 per cent p.a. and even higher, not counting the hidden elements. This high cost of credits is explained by a striving to draw the maximum profit out of credits and also by the fact that the rate of interest includes a risk premium connected with the danger of bankruptcy by the borrower.

There is absolutely no risk of bankruptcy in the relations between the socialist countries and this, in particular, allows establishing a low rate of interest. Moreover, the rate of interest is only taken on the sum actually used and not repaid.

At the beginning of 1961, the loans and credits extended by the Soviet Union to fraternal socialist countries amounted to 7,800 million rubles (in new rubles).

Of the many credits granted by the USSR, we shall mention only a few as an example.

In 1950, a credit amounting to 1,200 million rubles \* was extended to the Chinese People's Republic to pay for deliveries of Soviet equipment and materials for power stations, iron and steel and machine-building plants, coal mines, railways, automobile transport and other branches of the national economy. These credits are repayable in the course of ten years, from the close of 1954 to the close of 1963, with deliveries of Chinese goods. The rate of interest has been established at an exceptionally low level--1 per cent p.a. In the trade negotiations with the Chinese People's Republic in April 1961, the Soviet Union showed great understanding for the CPR's temporary difficulties, due to natural calamities that hit that country's agriculture, and granted the government of the CPR an extension of five years for the repayments of debt under the trade transactions in 1960 without charging interest for this period.

In 1958 a long-term credit was extended to the German Democratic Republic for the payment of Soviet materials imported to develop that country's chemical industry. This credit, amounting to 110 million rubles at a rate of interest of 2 per cent per annum, is repayable as from 1961 within the course of five years through equal annual deliveries of products of the chemical industry. In 1962, the Soviet Union extended an additional commodity credit to the German Democratic Republic. This credit, granted on favourable terms, amounted to 230 million rubles.

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\* The size of the credits mentioned here and in the other examples is given in sums established in the corresponding credit agreements, i.e., the sums under the agreements signed before 1961 are indicated in the old scale of prices.

In 1955 a credit totalling 270 million rubles at a rate of interest of 2 per cent p.a. was granted to Rumania for the payment of project designs and for deliveries from the USSR of equipment for the building of chemical plants ( a nitrogen fertiliser plant, a synthetic rubber plant and a plant producing chlorous sodium hydroxide). This credit is repayable in the course of ten years, after the plants are placed in operation, through deliveries of products from these plants.

A credit of 130 million rubles at a rate of interest of 2 per cent per annum was granted to Bulgaria in 1958 for the payment of deliveries of Soviet equipment. It is repayable in the course of ten years by deliveries of Bulgarian goods.

Large credits have been granted to Mongolia. In particular, in September 1960, Mongolia was granted a credit of 615 million rubles on favourable terms for the payment of deliveries of Soviet equipment, machines, materials, and also for other forms of technical aid. In April 1961, an agreement was signed, under which the Soviet Union undertook to provide Mongolia with additional economic aid amounting to 122 million new rubles in the form of a new credit, an extension of payment on earlier credits and an extension on the repayment of debts for trade turnover. Through this credit the Soviet Union is helping the Mongolian People's Republic to extend housing construction, build up the corresponding building facilities, train Mongolian citizens in building and assembly trades, expand the means of communication and promote livestock- breeding.

In 1960 the Soviet Union granted Cuba a credit of 90 million new rubles for the development of her national economy. Through this credit the USSR will render Cuba technical assistance in the building of an iron and steel works in the reconstruction of the metallurgical enterprises in operation, and in the construction of an oil refinery and thermal power stations.

The number of such examples can be increased many times over.

The Soviet Union has also granted big credits to industrially underdeveloped countries, chiefly for the building of industry as the basis of their national independence. Credits of this kind have been extended to India, Afghanistan, Indonesia, United Arab Republic, Yemen, Iraq, Ethiopian the Guinea Republic, Ghana, Mali, Somali and Pakistan. In mid-1961, the loans and credits extended by the Soviet Union to economically underdeveloped countries amounted to 2,400 million new rubles. These credits are used mainly, for the construction of enterprises of key branches of industry that are necessary to ensure the independent development of the above-mentioned countries.

Of the many credits that have been granted, we shall mention a few as an example.

In 1955 a credit totalling close to 500 million rubles at a rate of interest of 2.5 per cent p.a. and repayable in the course of 12 years in equal annuities was granted to India for the building of an iron and steel works at Bhilai. In 1957 India was

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granted another long-term credit amounting to 500 million rubles for the payment of deliveries of Soviet equipment, for technical aid and other expenditures connected with the building in India of heavy engineering plants and other economically important enterprises. In 1959 the government of India was granted a further credit of 1,500 million rubles for the building of industrial enterprises in the period of India's third five-year plan (1961-1965). The total sum of credits extended to India by the Soviet Union exceeds 720 million new rubles.

In 1956 Afghanistan was granted a credit of 100 million dollars for the payment of Soviet materials and equipment for the main branches of economy in that country. The credit was extended at a rate of interest of 2 per cent per annum for 30 years with repayment to begin eight years after the utilization of the corresponding part of the credit by equal annuities in the form of deliveries of Afghan goods over a period of 22 years.

A credit of 100 million dollars at 2.5 per cent per annum was granted to Indonesia in 1956 for the payment of Soviet deliveries of industrial equipment and machines. This credit is to be repaid in equal annual portions in the course of 12 years, 3 years after the corresponding part of the credit has been utilized.

The United Arab Republic has received Soviet credits amounting to more than 450 million new rubles for the building of the High Aswan Dam and other projects. When this dam is completed the area of irrigated land in Egypt will increase by 30 per cent and the country's entire economy will be basically transformed.

As a rule the credits extended by the Soviet Union to economically underdeveloped countries are repaid within a period of 12 years, beginning a year after the complete equipment for the corresponding project has been delivered, and the rate of interest is usually 2.5 per cent per annum.

The other socialist countries likewise extend considerable credits to the underdeveloped countries and render them great assistance in creating a stable national economic base.

"The aid rendered by the USSR and the other socialist states to countries that have won their independence", said the Head of the Soviet Government N.S.Khrushchov, "have the sole purpose of helping to strengthen the position of these countries in the struggle against imperialism, develop their national economy and improve the life of the peoples".

Parallel with the above-mentioned credits, granted under inter-government agreements, considerable sums are extended as commercial credits during the sale of equipment and machines by Soviet foreign trade organisations to firms and organisations in industrially underdeveloped countries.

The Soviet Union has, furthermore, extended credits to Finland and Iceland, with whom trade relations are successfully developing.

Most of the credits extended by the Soviet Union have

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the character of trade credits, i.e., the extended funds are intended for the payment of Soviet deliveries of machines, equipment and other goods. At present the Soviet Union's foreign debt is relatively small and does not go beyond the usual dimensions linked up with settlements for current trade turnover. It is many times smaller than the debt of other countries for credits and loans granted by the Soviet Union.

The ruble is, as a rule, the currency of the credits granted by the USSR. All the credit relations with the socialist countries are expressed in rubles. The total sum of credits in inter-government agreements and the price of the goods delivered to the Soviet Union in repayment of credits and in payment of the interest on them are established in rubles. The credits granted by the Soviet Union to other, i.e., non-socialist countries, are expressed in rubles in some agreements and in foreign currency in others, with, as a rule, the inclusion of a gold clause.

The prices on all goods delivered from the USSR under credit agreements and also supplied to the USSR as payment for credits and the interest on credits, are determined on the basis of world market prices on the same principles that are applied in the current trade turnover between the USSR and the corresponding countries. In the relations between the socialist countries, these prices remain stable over a long period and are not affected by the spontaneous fluctuations taking place in the markets of the capitalist countries.

The debts of foreign countries for credits extended by the Soviet Union have been recalculated in connection with the new rate of exchange of the ruble that was introduced on January 1, 1961. This recalculation was made without loss either to the USSR or foreign countries. In conformity with the higher gold content and rate of exchange of the ruble, all the sums in rubles of the unpaid debts of foreign countries for Soviet credits and also the sums of the unutilised portions of the credits on January 1, 1961 have been reduced by 77.5 per cent. The real volumes of goods deliveries under credits and of the repayment of these credits have not changed, because the price of goods in rubles has also been lowered by 77.5 per cent. This recalculation covered all credits expressed in rubles, regardless of the presence of the gold clause in the credit agreements. The material content of the credit agreements thus remained unchanged and the higher rate of exchange of the ruble has not infringed upon the operation of these agreements.

As currency for international settlements by the countries of the socialist system, the ruble has the following important advantages over the currencies of the capitalist countries:

first, the purchasing power of the ruble with regard to goods is stable over a long period, while the purchasing power of capitalist currencies is subject to spontaneous fluctuations;

second, a change in the gold content and exchange rate

of the ruble does not entail any loss for countries making settlements in rubles, while a change in the exchange rate of capitalist currencies inevitably brings losses to some countries and an economically unjustified advantage to others;

third, in ruble clearing settlements there is no need for a foreign currency reserve, while the settlements between the capitalist countries require large reserves of foreign currency that play the role of international payment means, and this is connected with an unproductive expenditure of a considerable portion of export resources for the creation of such reserves.

The term of a credit and the procedure by which it is utilised and repaid are of great importance in credit relations.

During the signing of credit agreements, the term of the credit is established with due account for the following factors:

1. the character and purpose of the credit: for example, when credits are granted for the payment of complex equipment for the heavy industry the period in which they are utilised and repaid will be much longer than in the case of credits for the payment of raw materials;
2. the size of the credit: the bigger it is, the longer, given other equal conditions, the term of the credit will be;
3. the state of the economy of the country receiving a credit, in particular, the prospects of the growth of its commodity resources required for the repayment of the credit.

Credits are extended in different forms, namely:

1. The full sum of a credit is entered in a special account in favour of the country receiving it, and the latter can purchase equipment and other goods from the USSR and pay for them from this account.
2. In the credit account are reflected the sums of goods deliveries actually made under the credit agreements, i.e., the sum of the extended credit in the account grows with the fulfilment of deliveries until the entire credit is utilised.
3. Deliveries under credit are made through a clearing account under the commodity turnover and then the sum of the credit is transferred from the clearing to the credit account. This method is used, as a rule, in cases when goods of the same nomenclature as in the current turnover are delivered on credit. In this case, the goods delivered on credit are at first paid for through the clearing account side by side with the goods delivered under the current turnover. Then, at the end of the quarter or some other agreed period a definite sum, corresponding to the terms of the credit agreement, is transferred from the clearing to the credit account. Technically this method is simpler, because under the first two methods it is necessary to draw up separate documents stating that the goods are supplied on credit. Under

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the third method this is unnecessary.

The first and, chiefly, the second method are used in cases when credits are extended for the payment of definite kinds of equipment or for complete deliveries, because in these cases the objects of credits are not goods deliveries in general but definite kinds of equipment and materials.

In most cases, as we have already mentioned, Soviet credits are repaid through deliveries of goods. In the agreements this commitment is provided for either in general form, without indicating what goods must be delivered in repayment of the credits, or in specific form with mention of the assortment of goods that the debtor country must deliver in repayment of the credits. In some agreements provision is made for the repayment of credits in gold or in foreign currency,

As we have already stated, credits are repaid with goods of the usual export assortment of the debtor country.

Depending on the terms of the agreement, a credit may be repaid by various methods: proportionately, progressively or at one time. Under the proportionate method the sum of the credit is repaid over a definite period by equal portions. If, for example, the principal debt of 200 million rubles must be repaid within four years, under this method each portion will amount to 50 million rubles. Under the progressive method, the sums repaid increase, i.e., in the first years the credit is repaid in smaller portions, and in subsequent years in bigger portions. Under the third method the entire sum of the debt is paid on a single specified date.

The interest is, as a rule, paid in the same way as the principal is repaid, i.e., through deliveries of goods that are usually exported by the debtor country;

Special credit accounts for credit settlements are opened at the State Bank of the USSR and at the central banks of the countries receiving credits. These accounts show the sum of the extended credits and the sum received in repayment of them, as well as the interest that has been paid. A separate account is opened for each credit, because there are essential differences in the time-table of repayment and other terms.

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PRINCIPLES OF ECONOMIC RELATIONS OF THE USSR  
WITH SOCIALIST COUNTRIES

A new system of international economic relations began to take shape with the appearance in the world arena of a large group of socialist states. The formation of this system was at the beginning influenced chiefly by political factors. The countries that broke away from the capitalist world organised economic relations among themselves in order to consolidate their revolutionary gains and surmount the consequences of the trade blockade put up by the imperialist powers. Quite naturally, the relations between these countries at first retained the birthmarks of world capitalist economy, in which they had occupied a subordinate position. But trade and other relations that were inherited from capitalism were gradually rebuilt and became filled with a new content. Economic co-operation became based more and more on a planned division of labour. It became a vital necessity of the socialist countries, a necessary condition for their economic and technical progress. This was a natural historical process.

The objective need for economic rapprochement of countries is now widely recognised. But there are very divergent views with regard to the norms of international relations that best of all conform with this tendency. The experience of the Soviet Union and the People's Democracies shows that the fullest and most effective utilisation of the objective potentialities and advantages of economic co-operation between states is achieved through the organisation of international relations on principles of internationalism in its socialist concept.

The Soviet Union and the People's Democracies approached the organisation of international economic co-operation in conformity with the nature of public ownership. The domination of this form of ownership eliminates the economic foundation of competitive rivalry between producers, abolishes trade expansion and puts an end to the enrichment of some countries at the expense of others. Public ownership, as distinct from private capitalist ownership, develops and multiplies by other methods and other laws. On an international scale, its interests are met most fully by socialist solidarity, all-sided comradely co-operation and fraternal mutual aid, complete equality of all the sovereign countries forming a single commonwealth, and mutual advantage. In the socialist camp, the age-old antagonism between nations has been abolished side by side with social inequality, and proletarian internationalism, fraternity and friendship among people have triumphed.

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Socialist internationalism is the mighty moving force that shapes and develops the new social system on the scale of a world system. Each socialist state contributes towards the consolidation of the entire system, and, at the same time, draws additional strength for its own development from the growing economic might of this system. This fundamentally important feature of the economic relations between the Soviet Union and the People's Democracies was specially pointed out by N.S.Khrushchov in his report to the Twenty-Second Congress of the Communist Party of the Soviet Union. In this report it is stated: "The combination of the efforts to develop the national economy of each socialist country with the joint efforts to consolidate and expand economic co-operation and mutual aid is the highroad for the further rise of world socialist economy".

The consistent implementation of the principle of socialist internationalism in the economic relations between the Soviet Union and the People's Democracies signifies fraternal aid among these countries, voluntary unification and planned co-ordination of their production efforts in solving common economic tasks. The socialist countries have by joint effort found and are now continuously improving such forms and methods of economic co-operation as co-ordination of national-economic plans, specialisation and co-operation of production, technical assistance and scientific and technical co-operation, mutual aid in the building of economic projects and the utilisation of natural resources, international socialist trade and so forth.

A new type of international division of labour is taking shape in the process of the promotion of economic co-operation between the Soviet Union and the People's Democracies. We have every grounds for speaking of a special, socialist type of international division of labour, because in many important ways it basically differs from the division of labour between the capitalist countries. To characterise the principal features of the international socialist division of labour means to show the most common economic principles on which the various forms of co-operation between the Soviet Union and the People's Democracies are founded.

The purpose of the division of labour and all-sided economic co-operation between the Soviet Union and the People's Democracies is to increase the efficacy of social production and thereby promote the highest rates of growth of economy and the welfare of the people of these countries, and surmount the difference in the levels of their industrial development. In their mutual economic relations, the socialist states are perseveringly aspiring towards the above goal. If we analyse the results of their co-operation, it will become obvious that much has already been achieved in spite of the difficulties that a new undertaking always presents.

For the record it must be said that the results of the division of labour between the capitalist states, which develops spontaneously in conditions marked by sharp rivalry, show grave defects that are inherent in it. Indeed, how can one justify the extreme inequality in the level of economic

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development of the countries of the bourgeois world, and the one-sided, deformed structure of the national economy in the underdeveloped countries, a structure that only deepens their age-old backwardness ?

The division of labour between the Soviet Union and the People's Democracies proceeds consciously and by plan in conformity with the vital interests and the harmonious and all-sided development of all the socialist countries. The plan is the law of economic development under socialism. The new social system enables the socialist states constantly to maintain the objectively necessary proportions of development both of national economy and of the entire world socialist economy.

In drawing up long-term plans of economic development, the Soviet Union and the People's Democracies proceed from their own specific economic and political tasks and, at the same time, take into account the requirements and potentialities of the entire system, and analyse the key laws of its economic development. The qualitatively new task that is being resolved in the course of the economic co-operation between the Soviet Union and the People's Democracies is, precisely, to take into consideration and consciously utilise the advantages being opened up by the harmonious development of the entire world socialist system.

The voluntary co-ordination of long-term economic plans is, at the present stage, the principal instrument for the rational division of labour between countries with a planned economy. It ensures harmony in the development of the different branches of economy, which are interrelated in socialist countries as a result of the international division of labour. The idea of broad, many-sided co-ordination of plans consists in maintaining the necessary proportions between the growth of requirements and the expansion of production in the whole socialist system, in securing a firm foundation for the planned promotion of trade exchanges.

The co-ordination of the targets of development of separate branches of economy in 1956-1960 between the Soviet Union and the People's Democracies ushered in a new stage in the development of world socialist economy. In subsequent years this co-ordination was expanded. The importance of the Economic Aid Council (EAC) set up in 1949 as a collective body for the many-sided co-ordination of plans, has grown side by side with the periodic consultations between the planning bodies of these countries.

The European socialist countries in the EAC, as the recent Conference of representatives of the Communist and Worker's parties of these countries in Moscow showed, are taking steps aimed at further stimulating the activity of this body. It has the important task of promoting the international specialisation and co-operation of industry and of organising scientific and technical co-operation among the member countries.

At present the Soviet Union and the European People's

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Democracies have begun to co-ordinate the main directions of economic development twenty years ahead. This is of inestimable importance for the planned utilisation of the potentialities of the international socialist division of labour. The co-ordination of twenty-year plans allows determining a rational profile for international specialisation of production by each country and thereby to develop the most efficient structure of economy. Actively promoting economic rapprochement among the socialist countries, this co-ordination prepares the soil for the development in future of a world communist economy under a single plan, about which V.I.Lenin wrote in his time.

Among the problems of economic growth that thanks to the co-ordination of long-term plans are being more effectively and rapidly resolved in separate socialist countries, mention must be made of the problem of raw materials, the fuel and power pattern, the quantitative and qualitative growth of output of the heavy engineering industry on the basis of international specialisation, and other problems.

For example, in view of the shortage of some kinds of own natural resources, the European socialist countries will in future meet a large part of their fuel, particularly oil, power, iron and steel raw materials and many metal requirements through imports. Co-ordination of the basic plan targets of output of the above products among these countries and also with the Soviet Union, the joint drawing up of long-term summary balances of the output and consumption of these products create the guarantee that the raw materials in short supply will be received and that the planned high rates of common economic development will be secured.

The power systems of the Soviet Union and the European socialist countries are being united by plan. This is holding out tremendous economic advantages. At present a power transmission line is in operation between the power systems of Czechoslovakia, the German Democratic Republic, Poland and Hungary. The power systems of Hungary, Rumania, Czechoslovakia and the South-West of the USSR will be linked up through a sub-station in the town of Mukachevo, West Ukraine, in three or four years. An international dispatching centre that will direct the linking up of power transmission lines is being set up by decision of the Economic Aid Council. It is planned to transmit approximately 2,000 million kilowatt-hours of electricity a year to Czechoslovakia from Rumania, and about 1,000 million kilowatt-hours of electricity a year from the Soviet Union to Hungary. More electricity will be transmitted from the USSR to the European People's Democracies after 1965, and this will facilitate satisfying the demand for electric power. Elements of the future power system of the European part of the Soviet Union and of the European People's Democracies thus arise and develop by plan. After creating such a system, the socialist countries will have an important lever for the co-ordinated development of their economy. In 1965, according to estimates by specialists, the ring power system of EAC countries will save about 60 million rubles. Soviet and Chinese specialists are planning the joint exploitation of the power resources of the Amur River.

Many of the tasks linked up with the priority

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development of the production of machines and equipment, especially of the latest types, are already being successfully resolved through the co-ordination of plans, and through specialisation and co-operation of the machine-building industry of the USSR and the European socialist countries. For example, an agreement has been reached in recent years on the profile of specialisation of these countries with regard to 22 groups of machines and equipment, including rolling equipment, building machines, machine-tools and so on, and more than 550 chemical products. These and other joint undertakings are aimed at stepping up the serial production of separate items in the socialist countries and, at the same time, enlarging the assortment and improving the quality of the output of all the countries in the socialist camp.

The harmonious development of each socialist country and of the world socialist system as a whole presupposes the maximum combination between the international specialisation of national industry and the composite, multi-branched development of the national economy. One of the principles of the economic co-operation of the Soviet Union and the People's Democracies is to secure this combination.

A one-sided structure of the national economy is typical of many of the dependent countries of the capitalist world. This economy is usually dominated by one or two branches that work exclusively for export. Such an economy is not acceptable to the socialist states because it limits the possibilities of economic growth, increases irrational transportation costs and, in the final analysis, lowers the efficiency of the national economy. Therefore, far from excluding the development of a multi-branched economy in the separate countries, an economy that includes raw material and processing branches and branches producing consumer goods and means of production, the international socialist division of labour presupposes it.

All the requisites are on hand for developing many branches of economy in practically every socialist country, irrespective of the size of its territory and population. This concerns the power industry, a number of branches of the machine-building and chemical industries, the building materials, light and food industries, and the principal branches of agricultural production. Special emphasis must be laid on the fact that the development in each socialist country of a modern chemical and machine-building industry producing equipment for the key branches of the national economy and also for export is an important factor accelerating the process of expanded reproduction and increasing the productivity of national labour.

The unity of the processes of improving the international division of labour in the socialist camp and the strengthening of the national economic complex in each country has made it possible to use natural wealth, manpower resources and production capacities most fully and expediently from the economic point of view.

Thanks to their close economic, scientific and technical co-operation with the Soviet Union, a number of new branches of industry, primarily, machine-building, whose

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development has brought about a rise in productivity in national labour, have appeared in the European socialist countries. For example, new power generating machine-building and ship-building industries have been set up in Bulgaria, Poland and Rumania, automobile and tractor industries have been built in Poland and Rumania, and the production of oil equipment and farm machinery has been started in Rumania. The Chinese People's Republic has built from scratch the automobile and tractor, farm machine-building, aircraft, ball-bearing, aluminium, heavy power generating machinery and other key industries.

In expanding and deepening the economic relations among themselves, the Soviet Union and the People's Democracies devote much attention to the economic efficacy of these relations. They regard ensuring the high economic efficacy of the international socialist division of labour as an extremely important principle of co-operation. This approach fully conforms with the Marxist-Leninist economic theory, which teaches that the building of the material and technical basis of a new society means the utmost promotion of the efficacy of social production and the achievement of considerable superiority over the developed capitalist countries in the productivity of labour. It may be stated without any exaggeration that the principle of economic efficacy is of paramount importance for improving the division of labour between the Soviet Union and the People's Democracies.

A conscious utilisation of the advantages of the international socialist division of labour requires an evaluation of the savings realised in the current production expenses and capital investments of each country. And, at the same time, it is important to determine the economic gain of the entire system as a whole i.e., to find the common saving in the current and capital expenditures of all countries obtained by them as a result of participation in the international division of labour. A method of comparing corresponding indices is being evolved for this purpose among the socialist countries.

Far from running counter to each other, these two approaches in evaluating efficacy harmoniously combine. An egoistic striving for maximum advantage to the detriment of common interests is alien to the socialist countries. On the contrary, a high consciousness of its international obligations makes each socialist country take energetic steps to increase the output of products needed by fraternal countries in order to allow the latter to conduct their economy in the most rational way possible.

The world socialist economy has all the necessary requisites to give all the countries in it, the entire socialist system, equal gains from the development of the international socialist division of labour. In necessary cases each country is given the incentive through the corresponding forms of co-operation and assistance by other socialist states. In this way, in the promotion of international specialisation of production, national interests are co-ordinated with the common interest of the entire camp. This is an absolutely new principle of international economic relations, a principle that can in no way be applied in conditions of capitalist competition. The practice of

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the development of world socialism can alone give numerous examples of such really socialist solutions of inter-state economic problems.

Here is one of them. For Poland and Bulgaria it is less profitable to increase the output of copper for export than to expand the export of machines, because the former step requires very large capital investments with a long term of return.

In this connection, friendly countries interested in importing copper, extend credits for the development of the Polish and Bulgarian copper industries, thereby lightening the burden of capital expenditures. At the same time, the creditor countries do not receive any rights of ownership over the industry being built. They only come to an agreement on the repayment of the credits they have given with deliveries of products from the factories built with their aid.

The task of steadily promoting the economic efficacy of social production in separate socialist countries is being resolved through the scientific and technical co-operation that is expanding between them. Thanks to this co-operation, advanced experience and the achievements in all branches of industry, science and technology rapidly become the property of each country.

Science's importance in social production has risen tremendously in our day. But the expenditures on it have also increased many times over. In order to ensure the development of science and technology at the highest level in the world and at the least cost, the socialist countries have set themselves the task of promoting international specialisation and co-ordination of research and design work in a number of major spheres. This will help to concentrate the efforts of scientists and engineers and allow them to resolve cardinal problems of technical progress in the quickest possible time. The very first experiments at co-ordinating the designing of machine-tools and rolling equipment are showing the great economic advantage of this undertaking to all the participating countries.

In turning over to each other licenses and documentation for the manufacture of the latest types of machines or the use of modern technology, the Soviet Union and the People's Democracies do not demand payment, with the exception of payment for the expenses of preparing the documentation itself. Some idea of the economic importance of scientific and technical co-operation can be obtained from rough estimates, according to which, the cost of the technical documentation transferred free of charge by the Soviet Union to the People's Democracies amount to nearly 9,000 million new rubles (according to the prevalent world prices of patents and licenses), and the cost of the documentation received by the Soviet Union from these countries adds up to 1,400 million rubles.

In the period 1958-1961, the Soviet Union transferred to the European socialist countries alone about 8,000 sets of various technical documents and received from them nearly 5,000 sets of similar materials. In the same period, the Soviet Union received approximately 12,000 specialists from these countries and

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acquainted them with many scientific and technical achievements and with advanced production experience, and sent more than 5,000 of its own specialists to these countries for the same purpose.

In the socialist camp, the principles of economic co-operation create the most favourable opportunities for the all-sided economic rise of each country, and allow countries with an inadequately high industrial level to take the highroad of economic progress within the shortest possible time.

Each with a different level of development of national productive forces, the countries of the world socialist system started building a new social system. This different level of development is due to their unequal degree of development under capitalism and to the different time of the socialist revolutions. Moving forward as part of a united world system of socialism and utilising the laws and advantages of that system, the socialist countries are surmounting the historically shaped differences in economic development. Before them lies the prospect of transition to communism more or less at one and the same time within a single epoch.

The need for equating the level of economic development of different nations stems from the very nature of socialism, which is a great international force uniting peoples into a single friendly family. That is why the equating of levels may be considered the basic principle of co-operation between the Soviet Union and the People's Democracies and is, at the same time, an important index of the efficacy of this co-operation.

The gap in the level of economic development inherited from the past by the countries united in the world socialist system has been greatly narrowed within the relatively short period of the existence of socialism as a world system.

At present, among the socialist countries, the highest level of economic development has been achieved by Czechoslovakia, the German Democratic Republic and the USSR. Rumania and Bulgaria and some other countries are still behind them in the production of industrial goods per head of population. That is why the equating of the levels of economic development of the socialist countries will continue for a considerable time.

The maximum effective development of national productive forces on the basis of the full utilisation of available possibilities and resources is the chief condition for achieving a fast rise of the economy and standard of living in all the socialist countries, and, in particular, in countries with a relatively inadequate economic level.

The Soviet Union is facilitating the efficacy of the efforts of the People's Democracies to achieve a fast rise of their national economy by handing over to them the latest scientific and technical achievements, assisting in designing technically advanced enterprises, in geological prospecting and in training skilled personnel, supplying equipment, particularly complete plant, for industrial enterprises, helping to assemble and adjust equipment, granting credits and other forms of aid, primarily for the development of key industries. This, too, is the

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purpose of co-operation in building industrial projects, in exploiting natural resources and in satisfying the requirements in raw materials, fuel and electric power. The loans and credits that the Soviet Union has granted the socialist countries amount to 7,800 million new rubles.

The deepening of a rational international socialist division of labour is becoming a decisive factor in the growth of the trade turnover between the Soviet Union and the People's Democracies. Under the trade agreements that have been signed, the volume of the goods exchange must increase by 80 per cent in the period 1958-1965, but actually, as experience has shown, the planned volume and the sum of mutual deliveries will be overfulfilled. The socialist countries regard it as a prime duty to fulfil the obligations contained in trade and other agreements, particularly with regard to the agreed volume and quality of goods and the time-table of deliveries.

Although the trade relations between the Soviet Union and the People's Democracies are of very great importance they are not an all-embracing form of the economic co-operation between them. The diversity of the production, scientific and technical relations between the socialist countries and their mutual aid is not always expressed through the purchase and sale of goods. But insofar as trade exists, its volume and assortment are growing, and the socialist countries are interested in a strict observance of the principle of equivalent exchange.

Some Western economists, Dr.H.Mendershausen, for one, without making any effort to study the mechanism of the trade exchange between the socialist countries, assert on the basis of a comparison of separate prices in the world market with the prices in the trade between the socialist countries that there is no equivalent exchange. Assertions of this kind are a flagrant distortion of reality.

Although the prices in the trade between the socialist countries are based on world prices, they have, compared with the latter, a number of features of their own and advantages. First and foremost, they are not subject to market fluctuations and are stable in the course of a long period (practically, in the course of the period covered by long-term agreements). Prices are revised on the basis of essential and stable changes in world prices due to changes in the material conditions of production. At the same time the socialist states consciously clear the world price of casual speculative or competitive elements. With this purpose in view, they establish prices on the basis of world prices for a number of years. Stability of prices is an important requisite for planned trade in the socialist camp. Another essential requisite, which is being gradually implemented is the unity of prices for similar goods irrespective of what country they are sold to.

The features of the formation of prices I have listed above explain the disparity between the prices in the trade between socialist countries and the prices in the world market. This disparity has been brought about deliberately in order that the principle of a planned and equivalent exchange could be implemented consistently and rationally both with regard to individual goods and to the entire trade turnover between countries.



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At the Twenty-Second Congress of the Communist Party of the Soviet Union it was noted that trade between the socialist countries will be promoted more and more on the same basis as within each socialist country, i.e., with the reimbursement of the expenditure of necessary social labour.

Such are the cardinal features of the economic co-operation between the Soviet Union and the People's Democracies. The world socialist system is not a closed economic bloc. The solidarity of the socialist states is not directed against any other states.

The Soviet Union and the People's Democracies unchangeably oppose the Western policy of setting up closed economic groupings. They are working for broad international trade embracing all the regions and countries of the world without any discrimination whatsoever. It is high time to discard from the practice of international goods exchanges the methods by which strong states wax rich on trade with weak countries. In the development of broad world trade on a basis of equality and mutual advantage, the socialist countries see an important condition for preserving world peace and securing the peaceful co-existence of the two different social systems.