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# A SOCIALIST “INTERNATIONAL MONETARY FUND”?

*Leslie Szeplaki*

During the immediate post-war period economic relations within the Soviet bloc consisted mostly of the barter of goods and reparation payments to the Soviet Union. Money played only a nominal role, and goods were exchanged primarily on the basis of their utility. International economic relations among the socialist countries were largely bilateral. Initially, the pattern of individual countries' transactions were restricted mostly to trade with the USSR, although later trade relations were somewhat expanded to the West. The intensification of the Cold War, however, tended to restrict trade with the West during the late 1940s and the 1950s. In 1947 the United States abolished the trade and loan contracts with the Soviet bloc countries, and in 1948 an economic embargo was imposed on major inputs and products. Trade with the West was also hindered by a general lack of confidence and prohibitive tariff walls. It was under these circumstances that the seeds of international economic cooperation within the Socialist bloc were planted. In January 1949 the Council of Mutual Economic Assistance (CMEA) was established in Moscow. While our main purpose in this paper is to place the emphases on the financial arrangements, practices, and problems which were, and are, prevalent, a few words on the significance of the CMEA itself are in order.

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## THE COUNCIL OF MUTUAL ECONOMIC ASSISTANCE

The founding members of the CMEA were the USSR, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, East Germany, and Romania. Since 1962 Mongolia has been included, and Yugoslavia began to participate in the work of some of the operational committees in 1965. North Korea and Cuba are represented by observers in CMEA negotiations.<sup>1</sup> Although it has not been officially announced, Albania has not participated actively during the past few years.

The operation of the CMEA up to 1962 was as prescribed in the 1949 Moscow Charter. The basic philosophy, which was religiously followed by each member country, was to establish a domestic planning mechanism which was closely patterned after the planning principles and arrangements of the USSR.<sup>2</sup> By the 1950s, inherent problems and weaknesses began to manifest themselves within member countries. In addition to the dreaded personality cult problems and imperfections in the so-called socialist democracy, problems which were political in nature, economic weaknesses and distortions also began to be noticed. As early as 1956 at the Twentieth Congress of the Soviet Communist Party some of the problems were revealed. To date, the relevant literature abundantly describes and accounts for the short-comings of the pre-reform planning mechanism in socialist countries, and the reforms which followed.

The impact of poor planning practices upon the socialist international economic scene was also strongly felt. It is well known that during the late 1940s, 1950s, and first half of the 1960s "natural" or physical plan targets (in terms of both input and output) dominated the socialist economic scene in Eastern Europe. The targets were centrally determined and were hardly responsive to market forces. The so-called synthetic balances were more or less the physical balances expressed in terms of also centrally determined (and market insensitive) prices.

In order to shelter this system from demand and supply forces from abroad, export and import prices were domestically predetermined at domestically planned inflexible levels. These prices were fixed at a level which was the same as, or comparable to, prices of similar goods produced and traded within the particular socialist country. The international trade price for the same goods, expressed in terms of clearing rubles, was established at a completely different

level, and prevailed only between the two countries participating in trade with each other. Any difference, positive or negative, between the domestic and foreign trade price of an internationally traded product was absorbed into the state budget of the particular countries. This, of course, made it virtually impossible to compare real costs between countries, and to evaluate the relative and absolute efficiency of production of the goods involved. Even the enterprises that used, for example, imported raw materials or produced exported goods were unable to account for the price of the raw material or the exported product; they did not deal directly with the other trading country because so-called trading enterprises acted as intermediaries.

Foreign trade prices were also fixed for an unreasonably long period of time. The long-term constancy of prices, in turn, by isolating the impulses of market forces, created a trading process whereby merely the use-value of the product exchanged became relevant to the trading countries, not its monetary and market value. It was within this environment that the contingent system evolved. Periodical meetings were held annually or more often among the concerned ministries of the trading countries, during which trade volumes and compositions were established for the future in a manner consistent with their relevant import and export plan targets. Not only did the value of the clearing ruble vary from one set of contingents to another (that is, from one pair of trading partners to another), but also the price of similar goods from one contingent agreement to another. (The contingent system will be examined more closely later in the paper.)

In June 1962 the Principle of Socialist International Specialization (PSIS) was approved by CMEA member countries, which aimed primarily at the abolition of the autarky which prevailed up to that time and later. This document emphasizes the coordination of the different economic plans of the member countries as a primary prerequisite for effective specialization within the trading bloc. The PSIS was followed in 1963 by the establishment of the Plan Bureau which included planning officials and experts from the various member countries. This organization also was expected to enhance the coordination of the various national plans. The establishment of the Bank for International Cooperation (BIC) in Moscow in January 1964 was motivated by the desire to replace the bilateral clearing system, which operated in terms of the clearing ruble, with a multilateral system of international payments among the CMEA members. The clearing ruble was replaced by the transferable ruble (TR).

By analyzing the operation and experience of BIC in particular, this paper intends to demonstrate that the hopes attached to the operation of the new organizations which have come into existence since 1962 have not really materialized. We will attempt to show that the multilateral payments system has not functioned as expected, and that multilateral trade did not expand sufficiently to enable a member country to choose freely the type of product imported or the country from which it was imported. Ironically, these unfavorable developments evolved simultaneously with the relatively successful operations of the European Common Market.

### **THE BANK FOR INTERNATIONAL COOPERATION**

The international trade and payments experience of the Eastern European Socialist bloc may be divided into at least two major phases, the period between 1949 and 1964 (the founding of BIC), and from 1964 to date. The first period, as mentioned earlier, was characterized by the centralized and rigid planning practices of the member countries, and the adherence to bilateral trade and payments. The bilateral character of trade and financial relations were clearly suitable to the stage of economic development of the CMEA member countries during the late 1940s and early to mid-1950s, and these trade arrangements were also more adaptable to the centralized planning systems and political regimes. During the second half of the 1950s, accompanying some liberalization in politics and economics, it was realized that a strictly bilateral system of trade and payments was no longer tenable. Attempts were made to implement some multilaterality of payments,<sup>3</sup> at least on those volumes of goods which were traded above the relevant export and import targets. However, this was an admittedly meager effort; during 1957 only an estimated 2 or 3 percent of the total CMEA trade involved multilateral payments.<sup>4</sup>

Since 1964, the situation has been closely related to the successes and, more often, failures of BIC. It commenced operation in Moscow on 1 January 1964 as a separate legal entity, and has the complete authorization of the member countries to administer the multilateral system of payments, and to grant short-term credit to finance trade.<sup>5</sup> In this sense, the BIC has two basic roles: (a) as a clearing center for the international payments of member countries; and (b) as the international commercial bank.<sup>6</sup> Multilateral clearing activities are conducted, as mentioned earlier, in terms of transferable rubles. Each member country agreed that within each calendar

year it will ascertain an equilibrium between its claims and debts to the rest of the group as a whole.<sup>7</sup> Settlements are conducted by the appropriate national Foreign Trade Bank via the BIC.

The TR was envisaged as a unit of international accounting among the member countries. Its gold content is the same as that of the Soviet ruble. The flow of the clearing ruble was restricted in the pre-1964 system because its flow commenced and ceased between two countries; in this respect it was no more than an accounting unit. In contrast, TR is also envisaged as a medium of exchange and international payments. The multilateral settlements of mutual claims will permit the TR to circulate relatively freely among the CMEA members. Country *A*'s surplus with country *B* for example, may be used to settle country *A*'s deficit with country *C*, or *D*.

An increase in the quantity of TRs in circulation is dependent directly upon prevailing credit relations. During the pre-1964 era, a deficit country was likely to receive an inter-country credit in clearing rubles. Since 1964, the same deficit would probably be financed by a short-term bank credit from the BIC, granted in TRs. In other words, the main source of TRs is the granting of credit, and the increase in credit is a direct function of the net deficit of the system as a whole. At any point in time the quantity of TRs outstanding should be equal to the sum of outstanding BIC short-term credits, which, in turn, should be approximately the same as the total of the balances of the surplus countries. One could develop this argument further by stating that the BIC is an intermediary between the deficit and surplus CMEA countries, and its actual sources of funds are the surplus countries.<sup>8</sup>

The BIC is administered by the Executive Council and the Operational Council. The former's responsibility centers primarily around the major goals and principles of the BIC's operation. In principle, it is supposed to make decisions only by observing the "interest of all participating countries."<sup>9</sup> The day-to-day operation of BIC is directed by the Operational Council, which is responsible to the Executive Council. The latter demonstrates its executive powers in quarterly meetings with the directors of member countries' state banks.

There are some largely consistent principles which the BIC observes. Credits are granted for a specific period of time, not exceeding one calendar year, and the terms and method of repayment are usually settled when the grant is made. Credits usually are granted for specific purposes which, along with the terms and schedule of repayments, are subject to the approval of the Executive Council. The basic intention in determining the rate of interest

charged, which is dependent on the term and type of credit, in theory at least, is to prompt an economic utilization of funds, enforce repayment discipline, and to cover the cost of BIC operation. During the first five years the rate of interest averaged between 1 and 1 1/2 percent, hardly of sufficient magnitude to achieve the intended purposes.<sup>10</sup> In other words, a rather cheap money policy was pursued.

The basic capital of BIC (in the form of TRs) was supplemented by the member countries' contributions in the form of gold and convertible currencies, which made it possible for BIC to participate in money markets on a world-wide basis as representative of member countries. The value of transactions conducted in convertible currencies rose by 1968 to a level seven times that in 1964, but this trend is not expected to continue.

### EXPERIENCE AND IMPACT OF BIC TO DATE

In accounting for the results and impact of the BIC's operation during the past five or six years, it becomes obvious that in practice the desired degree of multilateralism has not materialized. This point will be examined later, but one obvious explanation should be noted: the excessively slow change (decentralization) in planning which is evolving internally within some member countries. Members still are planning their foreign trade transactions on a bilateral basis, as they did before 1964. The role of contingents has remained significant,<sup>11</sup> and bilateral settlements still prevail. Furthermore, because of the lack of a significant degree of coordination among foreign trade prices, the TR did not achieve a uniform and consistent value in terms of domestic currencies. The experience of the first five years is illustrated by the following table:<sup>12</sup>

Item	1964	1965	1966	1967	1968
Total velocity of TRs (billions of rubles)	22.9	24.1	23.9	26.6	29.4
Value of credit trans- actions (billions of rubles)	1.5	1.8	1.6	1.9	2.0
Credit outstanding at year's end (millions of rubles)	126.0	204.0	249.0	314.0	328.1

Item	1964	1965	1967	1966	1968
Value of credits as a percentage of all TR transactions	6.6	7.5	6.7	7.1	6.8
Average number of months credits outstanding	1.0	1.4	1.9	2.0	2.2
Value of transactions in convertible currencies (billions of rubles)	1.1	2.6	3.8	9.0	11.1
Transactions conducted in convertible currencies, expressed as a percent of total TR transactions	4.8	10.8	15.9	33.8	37.8

Short-term credits granted during the period covered were apparently sufficient to meet the needs of member countries. The notable rise in transactions, in 1967, conducted in terms of convertible currencies, is explained primarily by the finalization in 1966 of an agreement whereby member countries' contributions to the basic capital of BIC were to include convertible currencies and gold.<sup>13</sup> The data given below (average annual increases in percentages) suggest that the expansion of trade since the establishment of BIC has not been very favorable.<sup>14</sup>

#### GROWTH OF WORLD TRADE 1960-1968

Region	<i>Exports</i>		<i>Imports</i>	
	1960-67	1967-68	1960-67	1967-68
East European socialist countries	8.3	9.0	7.4	8.0
Developed western nations	8.7	13.0	9.2	12.0
Soviet Union	8.2	10.0	6.1	10.0
World	8.2	12.0	8.3	11.0

It may be implied from this information that the growth rate in foreign trade among the European socialist countries which prevailed during the 1950s, particularly the early 1950s, did not continue into the 1960s. The data suggest a much better growth rate for the West



both in terms of exports and imports during 1960-67, and particularly the 1967-68 period.

With some reservations one may conclude, therefore, that the transition from a bilateral to a multilateral payment system among CMEA members did not produce the desired expansion in trade. Furthermore, even socialist writers point out that the data, when examined on an annual basis, display even more adverse tendencies in the volume of trade among CMEA member countries. Evidence suggests that the total volume of trade in the CMEA bloc did nothing more than stagnate at approximately the 24 billion ruble level during the years 1964-1966 (including a slight growth from 1964 to 1965, but no growth during 1966). In 1967 the volume rose to approximately 26 billion rubles, reaching the 43.5 billion level by 1968.<sup>16</sup> Why did the establishment of BIC, the attempted implementation of the multilateral payment system, the introduction of the transferable ruble, and the other measures taken not produce a sufficient inducement and suitable environment for a more accelerated expansion in the volume of multilateral trade among the CMEA member nations?

## EVALUATION AND PROSPECTS

After 1964, the newly introduced TRs were held on account with BIC, an international banking institution accessible to all CMEA countries. However, to date the new institutional arrangements have not secured adequate development and growth in multilateral trade among the member countries, as was demonstrated earlier in this paper. One of the main institutional obstacles to the expansion appears to have been a lack of parallel development and lack of reforms in the system of arriving at trade agreements. Even if a country uses the new TRs as a medium of payments in its international transactions, it usually does not have free choice about where to buy the desired product. The bilateral system of trade agreements prevails despite efforts to create a multilateral system of payments. Trade negotiations are still conducted largely on a product-by-product basis between two countries, and the employment of the contingent system remains fairly widespread in trade agreements. Price agreements still do not reflect demand and supply relationships, and prices are still too inflexible. In this situation, countries continue to view their transactions in real value rather than in monetary terms.<sup>17</sup>

Domestic economic reforms in most socialist countries (except, perhaps, Hungary) have not succeeded in abolishing the central and comprehensive administrative grip on economic activity. Plans generally are formulated on a calendar year basis, leading to unreasonably hurried and hasty production toward the end of the year to meet plan targets. Furthermore, the prevailing international system of trade and accounting aggravates this situation: the credit plans of the BIC also are formulated on a calendar year basis, and the balances between creditor and debtor countries must be cleared by the end of each calendar year. The basic time dimension of the contingents is also one calendar year. It often has been asserted that the present credit system is nothing more than the extension to several countries of the one which previously prevailed.

In the new system, it will be recalled, the amount of credit outstanding during a given year is approximately equal to the total value of the positive claims of the surplus countries. These positive balances, in fact, are transferred to BIC, which distributes them in the form of short-term credit to the debtor countries; the BIC merely acts as an intermediary in the flow of credit between creditors and debtors. The economic reason for granting (or needing) credit is presumably the temporary inability of the debtor country to meet part or all of its trade contingents during a part or all of a given calendar year. In view of the fact that its own trade plan requires each country to meet its contingent within the year, the credits granted by BIC are inevitably short-term in duration. Furthermore, this credit may be considered as an induced short-term credit, induced by the debtor country's temporary need for it and the creditor country's temporary ability to grant it via BIC. In view of the absence of what we could call an autonomous and longer term international credit system in the CMEA bloc, chronic and long-term needs for credit (which, for instance, may be caused by long-term structural problems within a participating country's economy) still must be settled largely by bilateral credit arrangements without significantly involving BIC.

Another problem encountered in the present system is the lack of adequate mobility of accumulated surplus balances. The credit granted (and allocated by BIC) becomes frozen in the hands of the debtor recipient until the latter settles its obligations. This, to a large extent, removes the incentive to increase exports.<sup>18</sup> These and several other problems prompted a dialogue in the socialist literature on the subject of improving the prevailing international trade and financial system within the CMEA bloc.<sup>19</sup>

One of the more important issues is the adequacy of the

transferable ruble as a collective socialist currency. Trade credits and trade debts are generated by planned quantities (contingents), and the settlement of these takes place largely on a bilateral basis, very often in terms of physical goods. Therefore, the TR still does not represent a universally acceptable purchasing power within (or without) the CMEA group; within the CMEA bloc it is not a universal medium of exchange, nor is it an international measure of value, or, for that matter, store of value. The present functions of TRs, in practical terms, are restricted to those of an international unit of accounting and, to a limited extent, to a short-term medium of credit with no significant universally multilateral utility. It is not surprising, therefore, that substantial efforts are being made to reshape the TR into what could be called a truly international currency among the socialist countries.

Lajos Acs, one of the more prominent Hungarian monetary theorists, appears to have advanced a rather popular view.<sup>20</sup> He maintains one of the prerequisites for improving the TR's international function is to determine its gold parity and specify the conditions for its convertibility into gold.<sup>21</sup> According to Acs, this would prepare the way for the TR to become an acceptable store of value. The convertibility of TRs into gold is not envisaged, however, without constraints, and is suggested as a solution only in conjunction with another, namely the substantial expansion of the multilateral utilization of BIC short-term credit and the introduction of medium-term credit. The creation of such a socialist credit pyramid would mean wide-scale utilization of credit, and gold could be found on the peak.<sup>22</sup>

The Poles favor a system of payments whereby 10 or 15 percent of the financial settlements would take place by transferring gold, and the rest in terms of TRs.<sup>23</sup> This proposal appears to be acceptable only if the rest of the settlements could utilize TRs as a truly international and collective currency within the CMEA bloc. This, in turn, requires the frictionless convertibility of TRs into the currency of the member countries and vice-versa, which would necessitate some consistent and realistic system of exchange rates (in terms of TRs). The new TRs could take the form of entry money on the books of BIC, and could fulfill roles similar to those envisaged for the Western SDRs.

BIC could be transformed into a socialist monetary fund, which could function on principles similar to those of the IMF, if a revision of its charter included provisions and quotas so that a country could sell and repurchase its currency for entry money.<sup>24</sup> In this manner, in contrast to the IMF, the operation of BIC would not be based

upon the role of a few countries' currencies, the acceptability of which often depends upon the internal and external economic condition of the country involved. Because of the USSR's dominating role in CMEA trade, however, it would be illusionary to assume that the ruble would not become one of the more significant currencies. Nevertheless, the success of a socialist monetary fund would not depend primarily upon the economic situation within the USSR and her balance of payments position, but rather upon the availability and acceptability of BIC's entry money, supported and supplemented by the substantial gold supply of the USSR (contributed to the BIC's basic capital).

In addition to providing for a mechanism for settling short- and medium-term international claims and credits, some writers also advocate the establishment of another socialist international institution whose prime function would be to secure the financial base for long-term growth within the socialist bloc.<sup>25</sup> This, according to some, may be achieved by an extension of the functions of BIC. Although such a consideration seems to be still in its infant stage, the general official inclination appears to favor a separate institution.

Another aspect of the problem of establishing a socialist monetary fund is its relationship with countries outside the CMEA bloc. In the opinion of this writer, the issue has not been given adequate attention, and sufficient importance has not been attached to it. If anything, a competitive attitude exists: if a smoothly operating multilateral payment system within the socialist bloc succeeds, then the need for Western convertible currencies might decrease, which, in turn, could change the "character of participation in western money markets."<sup>26</sup> Similar competitive attitudes are noticeable in connection with the possibilities and prospects of a socialist long-term investment financing institution, referred to earlier.

We may now recapitulate the major issues and problems which need to be dealt with in the CMEA bloc. First, the primary conditions for a realistic multilateral payment system must be met: (a) abolish the contingent system in trade; (b) introduce some price flexibility into most phases of intra-CMEA trade, and increase reliance on world market prices; (c) in connection with the prevailing credit system, reduce the amount of automatically granted short-term credit, and replaced it partially by a multilateral system of medium-term credit aimed at settling longer term balance of payments deficits; and (d) increase the liquidity position of BIC by raising its basic capital endowment. Second, the TR should be replaced with a socialist international currency (its value established in terms of gold), which would be convertible into national

currencies at predetermined and realistic rates. Finally, the socialist international currency should be made convertible into Western reserve currencies. This latter is not likely to occur in the near future unless the relative competitive position of socialist countries in world markets improves substantially. With the ultimate outcome and success of the reforms in some socialist countries still largely unknown, and in view of the excessively slow implementation of desirable decentralization in other socialist countries, adequate improvement in the competitive position of the CMEA bloc in world markets is an unlikely occurrence in the foreseeable future. Any revision or upgrading within the socialist financial system will likely remain relevant, for some time to come, only to the CMEA countries themselves, at least in practical terms.<sup>2 7</sup>

### FOOTNOTES

1. *Kozgazdasagi Kislexikon* [Economic Encyclopedia] (Budapest: Kossuth Kiado, 1968), pp. 180-81.

2. This is what Pryor labelled *autarky*. He concluded that as a result of this situation "all nations invested in uneconomical projects for which they had a comparative disadvantage; parallel investment and short-term production runs seemed to be the rule rather than the exception; and serious all-Block scarcities occurred." F. L. Pryor, *The Communist Foreign Trade System* (Cambridge, Mass.: The MIT Press, 1963), pp. 23-28.

3. A multilateral system of payments, in general, we understand to be an arrangement whereby a country may use payment surpluses with one group of countries to settle deficits with another. In this manner, multilaterality of payments may only prevail among the member countries of a group, such as the CMEA; between the group as a whole (or a member of the group) and outside countries the payment system is likely to be bilateral, or conducted in terms of a convertible currency. The currency used within the group may be called a *transferable currency* (such as the transferable ruble) if, at least in theory, it bears at least two basic characteristics: (1) it is transferable to, and universally acceptable by, any country within the group in exchange for goods and services; and (2) within each member country of the group the transferable currency has a predetermined value, expressed in terms of the domestic currency, at which it is automatically convertible and utilizable.

4. I. Wiesel, "Oteves a Nemzetkozi Gazdasagi Egyutmkodesi Bank [The Bank for International Economic Cooperation is Five Years Old]," *Kozgazdasagi Szemle* 16 (May 1969): 539.

5. These countries are the same as the members of the CMEA.

6. It is in connection with this second function that the BIC is also called upon to conduct banking transactions with the West.

7. K. Pecs, "Sokoldalu Elszamolasu Egyezmeny es a Nemzetkozi Egyutmkodesi Bank Tevekenysegenek Ot Eve [Multilateral Payment Agreements and the First Five Years of BIC]," *Penzugyi Szemle* (December 1969): 988.

8. A detailed theoretical discussion of this mechanism may be found in S. Ausch, "A Bilateralizmus es Multilateralizmus Problemai a KGST Orszagok Kulkereskedelmeben es Fizetesi Forgalmaban [The Problems of Bilateralism and Multilateralism in the CMEA Countries' Trade and Financial Operations]," *Kozgazdasagi Szemle* 15 (June 1968): 687-92.

9. K. Pecs, *op. cit.*, p. 990.

10. S. Ausch, *op. cit.*, pp. 698-700; also K. Pecsí, *op. cit.*, p. 990.
11. These are planned import and export targets specifying the type and quantities of goods involved, and the countries involved.
12. 1964-69 *Bulletin of BIC; Ekonomisteskaia Gazeta*, no. 29, 1968; also cited in K. Pecsí, *op. cit.*, p. 991.
13. K. Pecsí, *op. cit.*, p. 992.
14. *International Monetary Fund, International Financial Statistics*, 1960-68; also cited in K. Pecsí, *op. cit.*, p. 992.
15. F. L. Pryor, *op. cit.*, p. 42, cites an average 11.3 percent increase in foreign trade ("trade turnover per capita") between 1950 and 1955, using current prices.
16. Data presented in the form of bar-charts by K. Pecsí, *op. cit.*, p. 993.
17. B. Sulyok, "Integracio es Gazdasagi Politika [Integration and Economic Policy]," *Kozgazdasagi Szemle* 16 (April 1969): 403-405.
18. K. Pecsí, *op. cit.*, p. 995.
19. Some of the participants were: B. Csikos-Nagy, "A KGST Valuta Mechanizmus [The CMEA's Monetary Mechanism]," *Kulkereskedelem*, no. 4, 1968; see also B. Csikos-Nagy, "A Szocialista Gazdasag Penzugyi Rendszere [The Monetary System of the Socialist Economy]," *Penzugyi Szemle* (October 1968); the Soviet G. Sorokin, "Some Problems of the Economic Integration of Socialist Countries," *Voprosi Ekonomiki* (December 1968); I. Wiesel, *op. cit.*, pp. 542-48; *Rude Pravo*, June 1968; O. Sik, "Some Questions of Analysis of the Czechoslovakian Economic Development," *Politicka Ekonomie* (January 1966); S. Ausch, "A Multilateralitas es Transzferabilitas Elofeltetelei a KGST Orszagok E egymaskozotti Forgalmaban [The Prerequisites of the Creation of Multilaterality and Transferability in the Trade Among the CMEA Countries]," *Kozgazdasagi Szemle* 15 (July-August 1968): 836-53.
20. L. Acs, *A Szocialista Penz Elmelete* [The Theory of Socialist Money] (Budapest: Kozgazdasagi Konyvkiado, 1966), pp. 287-302.
21. It should be remarked that gold still plays a very prominent role (both as measure of the value of domestic currencies and as an international medium of exchange) in the socialist literature on monetary theory.
22. L. Acs, *op. cit.*, p. 299. It is ironic that an intensive role for gold is advocated during the same period when gold is being gradually demonetized in IMF circles, and has been completely withdrawn from circulation and currency support in the United States.
23. H. Kisel, "In the Interest of a New Role for the Bank for International Economic Cooperation," *Zycie Gospodarcze*, 26 May 1968.
24. This would require the establishment of a basic liquidity fund within BIC which could be created by requiring member countries to contribute some of their currency and gold. It is reasonable to assume that since the USSR is both the largest of the participating countries and the largest gold producing country in the world, and furthermore, since a predominant portion of intra-CMEA trade would continue to represent the trade of the member countries with the USSR (see Pryor, *op. cit.*, p. 187), a chronic shortage of gold (particularly as a supplement of the international medium of exchange within the CMEA bloc) is unlikely.
25. A reference to this was made in I. Wiesel, *op. cit.*, p. 547.
26. I. Wiesel, *op. cit.*, p. 548.
27. A rather detailed discussion on the prospects and problems involved from the point of view of most CMEA member countries may be found in J. Szita, "Az Europai Szocialista Orszagok Gazdasagi Integracioja Kerdesehez - Vita [To the Question of the Integration of the European Socialist Countries - A Debate]," *Kozgazdasagi Szemle* 15 (June 1968): 739-52.