

A Dictionary of Political Economy

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ПОЛИТИЧЕСКАЯ ЭКОНОМИЯ. СЛОВАРЬ

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The Dictionary entries are printed in heavy-faced type, are arranged in alphabetical order and are in essay form. References to books and cross-references are given in italics. Where additional information on related subjects is supplied elsewhere in the Dictionary, cross-references are preceded by the word "see". References to works by classics of Marxism-Leninism are made to *Collected Works* of K. Marx and F. Engels and to *Collected Works* by V. I. Lenin and their individual works put out by Progress Publishers (Moscow) in English, unless otherwise indicated.

A

Absolute Deterioration of the Condition of the Proletariat, a decrease in the standard of living of the proletariat under capitalism. Like the *relative deterioration of the condition of the proletariat*, it is a direct consequence of the operation of the *basic economic law of capitalism* and of the *general law of capitalist accumulation*. It is manifested in the deterioration of living and working conditions and the worse social position of the proletariat. The major indicator of it is the constantly increasing gap between the value of *labour power* and the real wages of the workers (see *Wages under Capitalism*). As society advances material living conditions change, and the material and cultural needs of the population, including the working class, increase. At the same time, the level of real consumption of material and cultural benefits lags increasingly behind their growing needs. The absolute deterioration of the condition of the proletariat under capitalism is manifested at different times in lower real wages; as a result, the worker's needs that have to be met to ensure normal reproduction of his labour power are satisfied to a lesser degree. The condition of the proletariat is made worse by higher taxes, constantly rising prices of consumer goods, high rent, which frequently devours over one-third of the wages, and expensive medical services. The standard of living of the proletariat is increasingly affected by the growing *labour intensity*, which drains the worker's strength and causes injury and occupational disease. The condition of the proletariat becomes particularly grave during *economic crises of over-production*, when a large number of workers lose their jobs and, consequently, all means of subsistence and join the ranks of the unemployed (see *Unemployment*). In the guise of a campaign against unemployment and rising prices, the capitalist state frequently pursues a policy of wage-freezes and cuts expenditure on education,

medical care and housing construction, which, in turn, further undermines the condition of the working people. The latter is also harmfully affected by militarisation of the economy, which leads to a reduction in civil production, a drastic rise in taxes, growing *inflation*, increasing intensity of labour and a drop in real wages. The condition of the non-proletarian strata of the working people under capitalism also grows worse. Impoverished peasants and petty producers add to the numbers of the unemployed, the results being a decrease in the wages of the employed workers and a deterioration of their working conditions. In the economically less developed Asian, African and Latin American countries, whose economies are dominated by foreign monopoly capital, the proletariat has to put up with dual oppression — from national and foreign capital. Excessive exploitation, a high level of unemployment, low wages, poor working and living conditions, extreme poverty and a high death rate are the chief indicators of how the working people live in these countries. There, the annual per capita income is only 4 to 5 per cent of that in the USA. The reactionary policy pursued by monopoly capital towards trade unions and other workers' organisations, the encroachment on the democratic rights of the working class and legislation turned against workers impede the proletariat's struggle for its rights and makes its condition worse. This process is accompanied by exacerbation of the *class struggle* in the capitalist countries, with the economic action of the working class becoming closely linked to the political campaign of the working class and all working people who are fighting to abolish the capitalist system. In the struggle for its vital interests, the working class of the capitalist countries receives considerable support from the growing forces of world socialism.

Absolute Rent, the share of surplus value appropriated by landowners as a result of the monopoly of private ownership of the land. The source of absolute rent is the excess of surplus value over the average profit created in agriculture owing to the

lower organic composition of capital. Big landed property hampers the flow of capital from industry to agriculture and impedes *inter-industry competition* and equalisation of the *rate of profit* of agricultural capital with the overall rate of profit. Agricultural products are therefore sold at prices corresponding to the cost of the output that has been produced under the conditions of production prevailing on inferior plots of land, i. e., higher than the overall *price of production*. The difference between the value and the price of production, i. e., extra profit, is given by capitalist entrepreneurs to landowners in the form of absolute rent, as payment for the use of the land. Absolute rent is produced by the surplus labour of hired agricultural workers and reflects their exploitation by capitalist entrepreneurs and landowners. As distinct from *differential rent*, absolute rent under capitalism is received from all the land and is not dependent on variations in the position and fertility of individual plots or the productivity of additional capital investment in the same plot. It is a sort of tribute big landowners impose on the whole of society, enjoying the monopoly of private ownership of the land. The working peasants who own land do not usually receive absolute rent, since the cost of agricultural production is in their case much higher than the socially necessary costs. By raising the cost of foodstuffs, absolute rent makes the economic position of the working people worse. It is a source of contradictions between capitalist tenant farmers and big landowners. *Nationalisation of the land* abolishes the monopoly of private ownership of the land and, with it, absolute rent, to which it is directly connected.

Absolute Surplus Value, surplus value produced by an absolute increase in working hours, which is a way of intensifying the exploitation of workers by capitalists. The creation of absolute surplus value is the universal basis of capitalist exploitation. It prevailed in the early stages of capitalist development, prior to the age of large-scale machine production. A condition for the creation of absolute surplus value is exten-

tion of the working day beyond the *necessary working time*, i. e., beyond the time during which a worker produces the equivalent of the value of his labour power. Minimum limits to working hours cannot be established for the existence of capitalism is impossible without surplus labour, and production and appropriation of surplus value. The maximum limits to working hours are established, first, by the physical limits to labour power and, second, by social factors (the need to satisfy intellectual and social requirements). In the initial stages of capitalist development (14th to mid-18th cent.), working day reached 16-18 hours a day. As the working class grew in numbers and became better-organised, it began an active struggle for a shorter working day. A gradual legislative restriction of working hours followed. Under modern capitalism, the bourgeoisie seeks to extract absolute surplus value by imposing overtime work, but mostly by raising the *labour intensity* above its average level. With an increase in the intensity of labour, the amount of labour per unit of working time also increases, so the worker spends more energy creating greater value and greater surplus value. There is, therefore, an absolute increase in the amount of labour appropriated by the bourgeoisie without payment, which, in fact, is a disguised lengthening of the working day.

Abstract Labour, the social labour of those who produce commodities; labour in general, regarded independently of its concrete form. In contrast to *concrete labour*, abstract labour has no qualitative distinctions. No matter what purposeful form it assumes, it is productive expenditure of human labour power in the physiological sense (the use of the energy of muscles, nerves, brain, etc.). Abstract labour is not, however, a biological but a social concept. It creates the *value* of the commodity and is a historical category that is a feature of *commodity production* alone. In a *subsistence economy*, the social character of labour is directly manifested in *concrete labour*, which is a component part of the aggregate labour of the workers employed

in a given husbandry. Under the conditions of commodity production, the social character of labour is revealed only during the exchange of commodities. To equate commodities on the basis of value means to equate the labour that went into their production: expenditure of concrete labour is reduced to expenditure of depersonalised, homogeneous and commensurable labour. Abstract labour expresses, therefore, certain *relations of production*, i. e., relations between producers of commodities. It is universal human labour, the social character of which is revealed in the process of commodity exchange. Under capitalism, the social character of *private labour* is conveyed through abstract labour. Under socialism, private labour does not exist. All labour is directly social, and concrete and abstract labour are its two aspects. Abstract labour conveys that which is common to the various concrete kinds of directly social labour and to its social varieties (physical and mental labour, labour in town and countryside). Equation of commodities during exchange means that the various kinds of labour that went into their production are certain quantities of social labour. The labour of each member of society, being part of the aggregate directly social labour, is taken into account and controlled by society through the process of exchange. The need to reduce the expenditure of labour to abstract labour remains throughout the stage of developed socialism. It disappears only once society has built complete communism, under which the essential distinctions between different kinds of labour will be abolished, and labour will become the first vital need of all people.

Accumulation Fund, part of the *national income* used for the expansion of production, the construction of buildings for social, cultural and everyday use, as well as for forming social and insurance reserves. In the Soviet Union, the fund embraces a quarter of the national income (over three quarters of the national income goes to the *consumption fund*). Part of the *surplus product* is the accumulation fund's main source. As for its material

content, the accumulation fund consists of the *means of production* (over and above those which form part of the replacement fund), as well as the objects of consumption, required for the workers additionally drawn into production. In socialist society, the accumulation fund is formed in a planned way on a scale of all social production as a single national accumulation fund. The accumulation fund is, first of all, expended on production accumulation: the construction of new plants, factories, mines, railways, electric power stations, agricultural enterprises, fitting out operating enterprises with new equipment, machines, plant, etc., the introduction of new technology, the improvement of working conditions, and the development of the personality in the process of material production. Production accumulation ensures the reproduction of material wealth and social ownership of the means of production on an expanded scale. In the context of *scientific and technical progress* production accumulation makes it possible to raise the technological level of production and to accelerate the pace of its development. The accumulation fund is also used for non-production accumulation, i. e., building housing, public health units, cultural, everyday services, scientific and administrative units. Besides, non-production accumulation includes the increase of the fund of vital means intended for the workers additionally drawn into production and expenses of training and refresher courses. Non-production accumulation goes into expanding the *service sphere*, satisfying the requirements of the members of society and ensuring their comprehensive development. The material reserves and insurance funds formed through the accumulation fund are necessary for ensuring steady social production and its proper balance, and for preventing and eliminating partial disproportions. The material reserves and insurance funds are made up from the state reserves of plant, raw materials, fuel and foods, as well as from the reserve funds of the collective farms. Capital investment is the main way the accumulation fund is used (see *Capital Investment under So-*

cialism). The fund is the necessary material condition for forming and improving the proportions of the economy, and its planned management in the interests of the fuller satisfaction of the material and cultural requirements of the members of socialist society. The advantages of the socialist economic system make possible the optimal correlation of the accumulation and consumption funds, and combine a high pace of reproduction with the steady growth of the people's well-being.

Accumulation of Capital, "employing surplus-value as capital, reconverting it into capital..." (Karl Marx, *Capital*, Vol. I, p. 543). In his teaching on *surplus value*, Marx examines the way it derives from *capital*, but in his teaching on the accumulation of capital he shows how capital originates from surplus value. Under capitalist expanded reproduction (see *Reproduction, Capitalist*), surplus value falls into two parts — accumulated and spent, into capital and profit. When buying *labour power*, the capitalist pays for it out of surplus value — the result of the workers' past unpaid labour. Such is the class essence of capitalist accumulation. The amount accumulated depends on a number of factors. First, on the size of the surplus value. The greater its size, the greater, also, are the opportunities for accumulation. In an effort to increase surplus value, capitalists step up exploitation. If the wages of the working people are below the value of their labour power, part of the workers' consumption fund is turned into the capital accumulation fund: hence the constant desire of capitalists to lower the living standard of the working people. Accumulation is also promoted by the growing productivity of social labour. The consequent drop in the cost of consumer goods makes labour power cheaper and allows capitalists to hire more workers with the same volume of *variable capital*. The lower cost of the means of production allows them to buy more machines, raw materials and implements of labour out of the part of surplus value which turns into additional *constant capital*. The difference between the capital used and con-

sumed, which grows alongside technical progress, also affects the size of accumulation. Machines, equipment and other implements of labour are used fully in the production process, but are consumed only partially, since only part of their value is transferred to the finished product. They thus provide gratuitous services as do natural forces. Accumulation also depends on the amount of capital advanced. Given the same degree of exploitation, the mass of surplus value depends on the number of workers simultaneously exploited, and the number of workers, above all, on the size of the functioning capital. Accumulation, therefore, increases as capital grows. In the final analysis, all the factors facilitating accumulation lead to an intensification of the exploitation of the working people and mounting contradictions in the capitalist system. Capital is accumulated in two forms: *concentration of capital* and *centralisation of capital*. Historically, the development of these two forms of capital accumulation led to the appearance of monopolies (see *Monopolies, Capitalist*) and, at a certain stage, to the dominance of monopoly capital, i. e., to *imperialism*. The expanding scope of production in the course of capitalist accumulation is accompanied by technical progress. The growth of the *organic composition of capital* and the constant upheavals in technology and production techniques are in line with developed capitalism with a corresponding technical basis — large-scale machine industry. Under conditions of a growing organic composition of capital it is accumulated with a relative decrease in the mass of *living labour* used by capital compared to the mass of the means of production. This intensifies the exploitation of the workers engaged in production and increases *relative surplus population* and the growing army of the unemployed (see *Unemployment*). The class antagonisms of the capitalist society grow in intensity. On the basis of his research into the way surplus value is turned into capital, and his analysis of the factors influencing this process, Marx formulated the *general law of capitalist accumulation* and showed the inevitability of a *relative deterioration of*

the condition of the proletariat and an absolute deterioration of the condition of the proletariat linked with it. Under contemporary conditions, capital accumulation has a number of specific features. The progressive development of science and technology and also the intensification of the competitive struggle lead to an increase in the necessary minimum increment in accumulated capital. The number of capitalists capable of accumulating capital independently, therefore, decreases. Today, only the top echelons of the monopoly bourgeoisie, enjoying the economic support of the state, can accumulate capital. The middle bourgeoisie becomes more and more dependent on the monopolies, while the petty bourgeoisie is ruined. The population is being rapidly proletarianised. On the other hand, the big bourgeoisie can systematically increase its accumulations out of monopoly profits. The *basic contradiction of capitalism* is intensified. Capitalism increasingly manifests itself as a society without a future.

Additional Net Income, the value of the excess surplus product created by socialist enterprises that operate under better than average conditions. Additional net income acts as a surplus over and above the net income created under usual production conditions, with average availability of means of production and average skills. In enterprises that operate under better conditions, the individual productivity of labour is superior to its social level, and the individual value of commodities is below their *social (market) value*. The difference between the commodity's social and individual value forms additional net income, its source being more productive labour of the workers in enterprises that operate under better than average conditions. In the same period of time, more productive labour creates a larger social value than *socially necessary labour* does. Additional net income depends on economic and natural factors. The economic factors are differences in the standard of equipment of enterprises and the effectiveness of their productive activities. The latest technology and the more sophisticated

production methods in some enterprises lead to better than average productivity of labour of the workers there and to the creation of additional net income. The natural factors that are prerequisites for additional net income are, in agriculture, higher soil fertility, a favourable location of a farm, its proximity to railway stations, piers, storage facilities, processing enterprises, etc., and, in extractive industry, greater amounts of mineral resources and more favourably located deposits of minerals. Additional net income is created in cooperative and state-owned agricultural enterprises (state and collective farms) on high and average fertility land, in mines extracting high-grade minerals, etc. (see *Differential Rent under Socialism*). Additional net income coming from the economic factors is transient. As more sophisticated tools and production technologies come to be used in most enterprises in the given industry, it ceases to exist. Additional net income provided by the natural factors is stable, because the natural conditions of the production are so.

Aggregate Social Product, gross material product produced by society in a definite period of time (usually a year). As a value, the aggregate product comprises the value of the means of production transferred to the product and the newly created value, which is the *national income*. In its physical form, and depending on the usable function of various use values in the process of social reproduction, the aggregate product combines the *means of production* and *consumer goods*. The aggregate social product is created by the labour force employed in material production and partly by the labour power of factory and office workers employed in the non-productive sphere, where the material production process is continued through operations in the sphere of circulation (post-manufacture handling, packaging, delivery to distribution facilities as well as the storage of socially feasible amounts of goods to ensure the continuity of the production and consumption processes). Production of the aggregate social product may be increased mostly by raising the *labour productivity* of the work force

in material production through utilising the achievements of *scientific and technical progress* and the better organisation of labour and production process, as well as by increasing the work force employed in the sphere. The rate of growth of the aggregate product and the way it is used are all determined by the prevailing *mode of production*. Under capitalism, the lion's share of the aggregate social product is produced by hired labour, and only a negligible part by the labour of petty individual producers. Private capitalist ownership of the means of production, with its inevitable anarchy and fierce competition, and the relative and absolute deterioration of the working people's living standards ensures the spontaneous character of the production of the social product, while its distribution and utilisation are antagonistic in nature. Aggregate product marketing problems tend to intensify the fight for both domestic and foreign markets, and to aggravate every contradiction inherent in bourgeois society. Under socialism, the aggregate social product is created by labour freed from exploitation at public and cooperative enterprises, and in far less significant quantities at individual private households owned by members of agricultural cooperatives (by collective farmers). The aggregate social product in socialist society is produced and distributed on a planned and organised basis, its realisation proceeds in an unbroken fashion, with due consideration of growing demands and in accordance with available material and labour resources. The balancing of the aggregate social product is extremely important in planning social and economic development in the USSR (see *Balance [Inter-Bran] of the Production and Distribution of the Social Product*). The transferred value of the means of production is accumulated in the fund which is used to reimburse the consumed means of production, and forms the material basis for socialist property relations. The newly created value consists of the value of the *necessary product* and the value of the *surplus product*. The value of the necessary product assumes the form of the *consumption fund* for the work force of the

material sphere of production; the value of the surplus product functions as the consumption fund for the work force in the non-productive sphere, for the disabled part of the population, for the material support of the institutions operating in this sphere; it also forms the *accumulation fund*. The value and the physical forms of the aggregate social product are interrelated and interdependent. For example, scientific and technical progress and an increase of equipment available per worker promote the growing share of the Department I in the aggregate social product, which results in a shift towards increasing the compensation fund rather than the national income. At the same time, the saturation of the labour process with more equipment means higher labour productivity. And that, in its turn, results in a greater physical volume of the national income (in comparable prices) and a greater surplus product, which is the source of accumulation and higher rates of expanded socialist reproduction (see *Reproduction, Socialist*).

Aggregate Worker, socially combined individual working capacities based on the concrete historical types of cooperation and division of labour. Two aspects should be distinguished in the idea of aggregate worker: the general economic content and the socio-economic form. The essence of the first aspect is the transformation of the individual producer, who manufactures a product from beginning to end and often is involved in its path all the way to the user, into a member of a production personnel organised so that the closeness of its each participant to the immediate operations with the object of labour itself varies (see Karl Marx, *Capital*, Vol. I, pp. 476-77). The second aspect characterises social relations among members of the production personnel (within production sections and the entire economic system), which are moulded according to the existing forms of ownership of the *means of production*. The first appearance of the aggregate worker is associated with *simple capitalist cooperation*, that is, the organisation of labour which combines many workers in one labour process, or in varied, but linked

labour processes supervised by the capitalist. Here the existing instruments of labour permit, rather than impose, the combining of individual working capacities. It is capitalist private ownership which becomes the key condition for the advent of the aggregate worker. The creation of the aggregate worker under capitalism occurs in the form of antagonisms innate in this social system. Private ownership of the means of production narrows the possibilities for the cooperation of labour and for the aggregate worker. The increasing fragmentation of the production process and the established technical division of labour have a negative effect on the development of the worker, society's chief productive force, which runs contrary to the requirements of the *scientific and technological revolution*, which stipulates the universality of knowledge. There is a difference in principle between the content and form of the aggregate worker in socialist environment and those in bourgeois society. Meanwhile, as society advances towards communism, the scope and nature of cooperation and the division of labour change, which produces a change in the aggregate worker. The decisive factor in moulding the aggregate worker at the highest stage of communism, which is "...a community of free individuals, carrying on their work with the means of production in common, in which the labour-power of all the different individuals is consciously applied as the combined labour-power of the community" (Karl Marx, *Capital*, Vol. I, pp. 82-83), is the radical transformation of the material foundation of labour on the basis of the scientific and technological revolution. The *material and technical base of communism* requires a work force with even higher cultural and technical standards, able to handle a totally automated system of production. The scientific and technological revolution influences the material production in a way that the share of mental labour is rapidly growing, as is the share of professions and skills related to industrial design and organisation; the balance between the professional groups is significantly changed; new professions, linked to the most modern

trends of technological development, are growing. Depending on the revised professional and skills structure of the aggregate worker, social and production relations between the workers become more sophisticated, and the supreme level of collective principles matures — that of communism.

Agrarian Crises, economic crises of overproduction in the agriculture of capitalist countries. They are manifested primarily in a relative overproduction of agricultural goods and the accumulation of enormous unsold stocks of them. At the same time, there is an increase in the size of farmers' debts (under modern conditions, mostly to mortgage banks); many small and medium producers are ruined. Competition becomes more acute. Only larger farms using up-to-date machinery and technology can survive. Agrarian crises are accompanied by accelerated concentration and centralisation of production in capitalist agriculture. The most general cause of agricultural crises is exacerbation of the basic contradiction of capitalism — that between the social character of production and the private form of appropriation. Besides, each crisis has its own, specific causes, connected with the changes in agricultural production on the scale of the world capitalist economy. One feature of agrarian crises is that they are not strictly periodic and are usually very prolonged. The first agrarian crisis began in the early 1870s and lasted until the late 1890s; the second lasted from 1920 and up to the Second World War. After the war, in 1948, a new agrarian crisis began which continued until the early 1970s. The main reason of agrarian crises tending to be so prolonged is the monopoly of private ownership of the land and the existence and growth of ground rent, which makes agricultural produce more expensive and therefore more difficult to sell. High ground rent prevents enormous capital from being used productively in agriculture. This obstructs the rapid large-scale renewal of fixed capital, the attainment of higher labour productivity, a reduction of production costs and, in the long run, of prime costs of the goods, which would have facilitated

their sales. Another reason that agricultural crises invariably last a long time is the existence of a large number of small-scale farmers who cannot reduce production to get out of a crisis. For these reasons, curtailment of production caused by a price drop happens more slowly in agriculture than in industry, if at all. Overproduction of agricultural goods is relative: millions of people in the capitalist world are starving. With the advance of state-monopoly capitalism, the capitalist state introduces anti-crisis measures, curtailing agricultural production and keeping agricultural prices at a certain level whenever a tendency appears for them to decline. State-monopoly regulation of agriculture promotes concentration of large-scale capitalist production through the ruin of farmers and poor peasants which converts them into wage-labourers. Since World War II, agriculture in the capitalist countries has been growing increasingly intensive owing to the widespread use of machinery and chemicals, which has caused further concentration of production and the mass ruin and disappearance of small and medium-sized farms. Even this, however, has failed to prevent agrarian crises, since only an end to capitalist production relations, as has been shown by the experience of the socialist countries, is capable of doing so.

Agrarian Policy of the Communist Party of the Soviet Union, a scientifically substantiated policy aimed at strengthening the alliance of the working class and the peasantry, dynamic and efficient development of agricultural production, better socio-economic relations in the countryside, and, using all this as the basis, enhancing the welfare of the Soviet people and promoting social progress. The fact that agrarian policy has been singled out as a relatively independent element of the Party's political course (see *Economic Policy of the CPSU*) can be explained by the distinctive features of the socio-economic structure of agriculture, the specifics of regulation of the economic relations within this branch and the difference between the working and living conditions in town and

country. In mapping out and implementing its agrarian policy, the CPSU is guided by the Marxist-Leninist teaching on the agrarian and peasant question. Lenin's works contain a profound scientific analysis of the general laws and characteristics of the advance of *relations of production and productive forces* in agriculture, its intensive development, *scientific and technical progress* in this field, and the features of large-scale production and its advantages over that of small producers. Lenin elaborated the cooperative plan and worked out the methods for the socialist transformation of agriculture and its progress along new social lines. Together with the other communist parties, the CPSU is further developing the Leninist doctrine, taking due account of changing historical conditions. In the period before the October Revolution in Russia, the chief issues of the agrarian policy were that of the peasantry as an ally of the working class in a socialist revolution, and that of the land. After the Revolution, during the period of transition from capitalism to socialism, agriculture developed along socialist lines, with large-scale social production gradually taking hold. In the period of the building of developed socialism, the purpose of the agrarian policy was to consolidate the social production of collective and state farms, advance agriculture and further develop socio-economic relations in the countryside. Its implementation has produced good results. The chief trends in agrarian policy today were mapped out at the March 1965 Plenary Meeting of the CPSU Central Committee. They have been further elaborated and made concrete in the materials of subsequent Party congresses and Central Committee plenary meetings, as well as in the decisions of the CPSU Central Committee and the Soviet government. The programme that has been evolved envisages a dynamic and harmonious development of all branches of agriculture, to ensure a stable supply of foodstuffs and agricultural raw materials. Measures have been developed to bring the material and cultural conditions in town and country closer together. From 1966 to 1979, 347, 300 million roubles

went into agriculture, or 76 per cent of the means invested in it since the Soviet Union was established. Considerable sums have also been spent to develop the industries serving agriculture. As a result, labour productivity in this branch has risen, and the output and consumption of agricultural produce increased. The wages of collective farmers and workers on state farms have doubled. The people operating machines have become a major component of the agricultural production process. A great deal is being done to provide rural housing with all modern amenities. Principal attention is focused on achieving higher *final results of production activity* both in agriculture and throughout the *agro-industrial complex* to ensure a rapid and stable growth of production, enhance its efficiency and social progress in the countryside; special importance attaches to accelerated advance of stock-breeding, since the demand for its produce far exceeds supply owing to the growing welfare of the population. With these ends in view, the material and technical basis of agriculture is being consolidated, inter-sectoral cooperation and agro-industrial integration encouraged, and the economic relations between the branches of the agro-industrial complex, planning and the system of incentives are being improved. The 11th five-year plan includes the Food Programme, which considers issues of developing agricultural production in conjunction with those of the industries serving agriculture, procurement of agricultural produce, its storage, transportation and processing, as well as further development of the food industry and the sale of foodstuffs. The experience gained by the Soviet Union in the socialist transformation and development of agriculture is being used by the other socialist countries, due account being taken of the conditions prevailing there. It shows the peasantry of the developing countries the advantages of applying collective methods in agriculture and facilitates an early solution by the democratic forces of their agrarian problems. Communist and workers' parties in developed capitalist countries use this experience in their work in the countryside and for substantia-

ting their agrarian programmes.

Agrarian Reforms, measures introduced by the state to change agrarian relations and forms of landownership. The class content of agrarian reforms is totally determined by the country's social system and its form of government. In capitalist countries, reforms are turned against remnants of feudalism, which obstruct the advance of capitalism in agriculture. The agrarian reforms introduced in the socialist countries were part of the revolutionary transformation of society. The Great October Socialist Revolution in Russia offered the most complete and consistent solution of the agrarian question. The Decree on Land passed by the Second All-Russia Congress of Soviets on October 26, 1917, abolished, without any redemption, private ownership of the land and proclaimed it the property of the whole people. The rules for land use were set down by the decree On Socialisation of the Land passed by the All-Russia Executive Committee on February 9, 1918. In the East European countries which embarked on the road of socialist development after World War II, agrarian reforms were carried out from 1945 to 1948 through confiscation and partition of the land and other means of agricultural production by the peasants, led by the working class; some of the cultivated land was nationalised, but the bulk turned over to needy farmers and agricultural workers as their private property to establish new or expand existing farms. The bulk of the forests, and all the mineral wealth and water resources became the property of the state. One of the first decrees passed in Cuba after the revolution was the Agrarian Reform Law of May 17, 1959, which abolished large landed estates and the latifundia of North American companies. The National Institute of Agrarian Reform (Instituto nacional de la reforma agraria) was set up especially for the purpose. In the socialist countries, agrarian reforms put an end to the landowner class, undermined the economic position of the *kulaks* (rich peasants who employed hired labour), and provided favourable conditions for a socialist transformation of agriculture. The land the

peasants received from the agrarian reform cannot be sold, mortgaged, given away as a gift or leased. When building a new society, the socialist countries adapted to national conditions the experience of the Soviet Union, turning small peasant holdings into large socialist agricultural enterprises. The developing countries that have chosen the socialist way introduce agrarian reforms for the purpose of socialising production on a nation-wide scale, uniting peasants in cooperatives and setting up an extensive network of state agricultural enterprises. In this way, they hope to provide the necessary conditions for raising the standard of living. The agrarian reforms carried out in the developing countries by the national bourgeoisie have not put an end to unequal distribution of land and the semi-feudal exploitation of peasants. After World War II, agrarian reforms turned against the remnants of feudalism in agriculture and the pre-capitalist forms of organising the economy were introduced in a number of developed capitalist countries. But they have not given land to the peasants. The communist and workers' parties in the developed capitalist countries advance radical agrarian programmes envisaging expropriation of big landed estates and the land being turned over to those who cultivate it, i.e., the toiling peasants.

Agrarian (Latent) Surplus Population, a form of *relative surplus population* under capitalism, a latent form of unemployment in agriculture. An increase in the *organic composition of capital* in agricultural production causes an absolute reduction in the demand for hired labour. This produces relatively redundant, "superfluous" labour power. Parallel with this large numbers of small agricultural producers are ruined; the people thus ousted from agricultural production cannot find employment in the towns, and so remain in the countryside. This is what makes agrarian surplus population latent. This form of surplus population exists in towns as well (impoverished craftsmen and tradesmen). Under monopoly capitalism, agrarian surplus population tends to increase. It

is especially great in economically less developed countries.

Agro-Industrial Complex, a system of branches of the socialist economy embracing agriculture and industries serving it and bringing its produce to the consumer. It includes those supplying the countryside with farm machinery, fertilizers, building materials and other means of production, and those providing technical services. The agro-industrial complex also includes branches in charge of procurements, transportation, storage and processing, and sale of agricultural produce (transport, the processing industry, trade, etc.). A distinction should be drawn between the national and regional agro-industrial complexes. The former embraces the system of pertinent branches on the national scale, while regional complexes, which consist of agriculture and the industries, transport and trade serving it, are formed within republics, regions and districts. Contacts between agriculture and the other sectors of the economy have always existed, but the establishment of the agro-industrial complex has raised them to a new level, making the progress of agriculture itself increasingly dependent on the state of the other constituents, the level of their development becoming a determinative factor for any further progress of agriculture. Technical re-equipment of Soviet agriculture, its growing specialisation and many other issues depend on the advance of related industries, transport and trade. At present, all the branches mentioned above constitute a single whole. The principal purpose of the agro-industrial complex is to ensure a stable supply of food and agricultural raw materials for the country. To make the Food Programme work, the Party's agrarian policy emphasises centralised planning, balanced development of all branches of the complex, consolidation of its material and technical basis, closer economic ties and a more efficient interaction between the branches in order to increase agricultural production, and better organised storage, transportation, processing and sales of its output. Planned, balanced development of all branches of the agro-industrial complex

is the foundation for agriculture's growth into a highly efficient section of the economy and for an increase in the final results attained by all related branches (see *Final Results of Production Activity*).

Anarchy of Production, lack of planning and organisation and the chaotic character of the economy developing under the conditions of the spontaneous operation of economic laws. It is a feature of commodity production based on private property, when the manufacturing process is carried out by isolated private commodity producers who work for an unorganised market and have little idea as to society's actual need for their goods and the scope of production of each commodity in the country as a whole. The anarchy of production is accompanied by competition between commodity producers. The spontaneity of the *law of value* and the mechanism of its operation under the conditions of unplanned production leads to a differentiation among the commodity producers, enrichment of some and ruin of others and, under certain historical conditions, to the emergence of capitalist production relations. Under the capitalist mode¹ of production, anarchy combined with competition spontaneously stimulate the growth of production irrespective of the effective demand of the population. During the transition from the simple commodity economy to the capitalist economy, whose features are a large-scale commodity production, a highly developed social division of labour, the growth of labour productivity, establishment of a single domestic market, and, as a result, the development of the social character of production, anarchy assumes enormous dimensions; its destructive force greatly increases, causing economic cataclysms and disruptions in the very course of social production. Demonstrating the basic contradiction of capitalism, the anarchy of production is manifested in the incomplete use and the waste of part of the productive forces, excessive expenditure of social labour, unemployment, in the growth of unproductive outlays, unbalanced development of industries and sectors of the economy, and exacerbation of sales problems.

The destructive consequences of the anarchy of production are most apparent in *economic crises of overproduction*. There is a contradiction between highly organised production in individual capitalist enterprises and the anarchy typical of social production as a whole, when private property precludes purposeful organisation and planning. At the imperialist stage, the domination by monopolies exacerbates the contradiction between the organisation of production within individual monopolies and the anarchy of production in society as a whole, the latter being augmented by the unlimited power of finance capital. With the emergence of the *world capitalist economic system*, the anarchy of production has spread to the sphere of international economic relations, and its effect is getting stronger with the growing internationalisation of economic affairs, all of which makes the irregular development of the world capitalist economy inevitable. Produced by the operation of objective laws, the anarchy of production cannot be eliminated by state-monopoly regulation of economic processes, including programming. An end can be put to it only by a revolutionary transition of society to a new, planned socialist production.

Asset-Output Ratio, see *Output-Asset Ratio*.

Asset-Worker Ratio, an indicator showing the level of the available *fixed production assets*. It is determined by dividing the overall cost of the fixed assets (in comparable prices) by the number of workers at the enterprise (branch). A higher asset-worker ratio is one of the most important factors of increasing the *labour productivity* and the *efficiency of social production*. In the Soviet economy, fixed assets are steadily increasing on the basis of the *automation of production* and technological refitting of enterprises.

Associations, see *Production Association; Industrial Association; Inter-Farm Enterprises, Associations and Organisations in the USSR*.

Automated Management System (AMS), the sum total of the methods and technical means that ensure highly efficient management of production on the basis of the extensive use of economic and mathematical methods for gathering, registering, transmitting, storing and processing the information required for decision-making. The introduction of AMSs was prompted by the increasingly important role management plays in modern production, the growing complexity of the problems facing the managerial bodies, and the need to process an enormous amount of information and promptly reach competent decisions. In this situation, an expansion of managerial bodies — an increase in the number of personnel and introduction of new links — cannot be regarded as an efficient way of solving the problem. Under the conditions of highly complex modern production and the *scientific and technological revolution*, another way has been evolved — automation of management on the basis of modern machinery, computers first and foremost, and other automatic devices for processing and transmitting information. Man controls this system in the most general way and works out determinative decisions. In the socialist countries, the purpose of AMSs is to raise the *efficiency of social production*. They are developed and introduced according to an integral economic plan taking account of all the possible ways for improving management of the economy. The Soviet Union envisages the creation of a nation-wide automated system for gathering and processing information for the purpose of stocktaking, planning and managing the economy, through a network of computer centres and a unified automated system of communications. This will make possible an integrated approach to planning and ensure a better balance between the components of the economic plan. AMSs fall into three main categories: 1) automated systems of management in factories; 2) automated systems of management for industries; 3) automated systems of management for functional administrative bodies, such as planning, statistical, financial, and banking organisations, organisations in charge

of material and technical supply, etc. Depending on the purpose of AMSs and the way it combines human functions and those of the computing and managing machinery, all AMSs can be divided into two principal classes and varieties of them. The first includes systems of information that ensure the collection and issue of information concerning the production process, which people use to fulfil management functions in production. The second consists of management systems that do not only collect information, but issue orders to executives and executive mechanisms. The main indicators characterising the work of AMSs are: degree of economic efficiency; prompt operation; degree of reliability; the amount of information it is able to process; the degree to which management is automated.

Automation of Production, development of machinery to a degree when mechanisms are operated by automatic appliances, while the workers supervise and control their functioning, adjust and repair them. The initial stage of this process is partial automation, i. e., the use of individual automatic and semi-automatic mechanisms. Partial automation ensures higher labour productivity and better quality manufactured goods, but it does not preclude the use of manual and unskilled labour for individual auxiliary operations. Under *developed socialism*, a planned transition to overall automation of production, i. e., the use of automated systems on the scale of workshops and whole factories, is taking place, when all the actions necessary for processing the object of labour during a certain stage of the manufacturing process, its transportation between stages, technical control and regulation of the technological processes, and the clearing of the waste, are performed by machines, without human participation. In many Soviet industries, there are automated systems embracing an entire manufacturing cycle. They work at optimal rates and ensure maximum *labour productivity*, the best possible *quality of output* and high economic efficiency of production. Overall automation helps in attaining major social results: it

does away with unskilled manual labour and ensures good working conditions. The workers employed in automated shops and factories need good education, for their work is similar to that of engineers and becomes increasingly creative. Both technologically and economically, automated production necessitates organisation and remuneration of the workers' labour that helps develop a collectivist attitude and mutual assistance among all employees. In socialist production, automation serves as the material basis for a gradual transformation of socialist into *communist labour*. Under modern conditions, the use of automated machine systems is usually combined with the *automated management system (AMS)* of production. AMSs function on the basis of computers, which collect and process economic information and solve complicated problems involved in planning and management. Automated management of production facilitates optimal planning and use of production resources, makes production a rhythmical process, and allows sound and effective decisions to be taken. The automation of production in a socialist society is carried out at a fast rate and on a planned basis, and under the conditions of full employment. Completely automated production forms the foundation of the *material and technical base of communism*. Under capitalism, automation is used as a means for increasing the exploitation of workers and deriving additional profit, causes excessive intensification of labour and a growth of unemployment, and exacerbates the contradictions between labour and capital.

Autonomy of the Socialist Enterprise, Managerial and Operational, the right granted by society (the state) to an enterprise to dispose of the resources allotted to it so that it can effectively fulfil the basic assignments: turning out the set range of products of high quality and within the time limits established. It is made necessary because centralised management has to be combined with the initiative of the lower echelons of social production (see *Democratic Centralism in Economic Management*). The means of production and

the finances granted by society to the enterprises form the material basis of the relative managerial and operational autonomy of public enterprises. Besides, part of the cost of the product created by collective labour is retained for expanding production and for providing incentives to the work force. On the basis of centralised ratings, public enterprises organise work and its remuneration: they hire the *labour power*, provide personnel training and control employment; fix the wage structure; set the workload and skill categories, indices and bonuses distribution procedures (see *Wages under Socialism*); establish new and revise obsolete output standards; distribute the material incentive funds, the social and cultural programmes funds and the housing funds (see *Economic Incentives Funds*); resolve questions of material and technical supply and marketing; control finances involved in production activities; and establish relations with other enterprises and organisations, financing bodies and *banks*. The area of responsibility of an enterprise includes accounting for the consumption of labour power, material and fiscal resources, and for the results of economic activity; it also includes drawing up the book-keeping balance sheets. Enterprises act like legal persons, and maintain a bank account; relations between themselves and with different organisations are regulated by business legislation. The managerial and operational autonomy of enterprises is exercised in the interests of society as a whole, and is intended to facilitate the implementation of the overall state plan. The setting up of large-scale *production associations* increases economic options, and makes the self-supporting running of the enterprise more attainable at lower levels of economic management. The independence of collective farms and other co-operatives stems from the special character of *collective farm-and-cooperative property*. They independently decide their principal business matters. Meanwhile, co-operatives (collective farms) are closely linked to the overall system of national interests. This can be seen from the huge assistance received from the socialist state by the collective farm and cooperative sector to

promote *scientific and technical progress*. It also follows from the fact that agricultural production is controlled by the state through centralised planning. The expanding socialisation of production results in even greater cohesion between enterprise initiative and centralised economic management. The far-reaching managerial rights of the enterprise personnel are established by the Constitution of the USSR. The work collective, as a primary cell of the economic system, is engaged in production and social planning, in personnel training and employment, takes part in the analysis of the enterprise management, in improving working and living conditions, and in the distribution of resources for expanding production as well as those assigned for social and cultural programmes and for material incentives. Work collectives promote *socialist emulation*, help spread the best working techniques and tighten *labour discipline*, foster communist morality in their members (see *Collective, Work, Production*). Measures taken in conformity with the Resolution of the Central Committee of the CPSU and the Council of Ministers of the USSR on streamlining economic procedures are aimed at improving coordination between national economic interests and the interests of the work collectives. The importance of the *natural indicators* is growing in production planning and in the evaluation of the performance of each enterprise. The rated method of planning the net product is being introduced (see *Rated Planning*), which is instrumental in evaluating the share of a production team in the overall economic effort. The degree of fulfilment of output-delivery plans, *labour productivity* growth, the share of quality products and profit growth are now becoming the principal asset-forming factors. Because of the stable indices and long-term economic standards, work collectives have a considerable leeway in utilising reserves within a five-year period in order to effectively fulfil plans.

Average (General) Rate of Profit, equal profit per equal capital regardless of the branch of capitalist production that capital is invested in. It is quantitatively

equal to the ratio of the aggregate *surplus value* produced by the working class in all industries to the total social *capital* invested in all spheres and branches of capitalist production (see *Rate of Profit*). The average profit rate depends both on the special rates of profit and on the relative share of industries with high and low *organic composition of capital*. Since individual enterprises and industries develop unevenly under capitalism, there is no parity in their level of technical development, which denies uniformity in the organic composition of capital. In this situation, equal amounts of capital will yield unequal profits once goods have been sold at their cost. Where the organic composition of capital is lower, the same amount of capital will yield more profit than in industries with a higher organic composition. Accordingly, the initial profit rates will be different: industries with a lower organic composition of capital will enjoy a higher profit rate, while a higher organic composition will bring a lower rate. This situation cannot persist for long. In the quest for maximum profits, capitalists become involved in intense competition. In the process of *inter-industry competition*, as a consequence of the spontaneous flow of capital from the industries with a low rate of profit to those with a high rate, the rates of profit will level off at an average (general) rate of profit under normal social conditions of production. No normal functioning of capitalist production is conceivable without a levelling off of profits of this kind, as profit is the principal motivation and purpose of capitalist production. The levelling-off tendency results in goods being sold on the market at the *prices of production*. Since the profit of each capitalist eventually amounts to his share of the total surplus value produced by the working class, each capitalist is interested in intensifying the exploitation of not only his own work force, but of the working class as a whole. Therefore, the working class is exploited by the entire class of capitalists. To abolish capitalist exploitation, workers must unite and struggle against the entire capitalist class. The development of capitalist pro-

duction entails a rise in the organic composition of social capital and a slower turnover, which sets in motion the *law of the tendency of the rate of profit to fall*. Increasing exploitation of the workers and the greater efficiency of modern equipment

counters the lowering of the rate of profit, and intensifies contradictions between the proletariat and the bourgeoisie. The large monopolies under imperialism extract *monopoly superprofit* which greatly exceeds the average rate of profit.

B

Balance Method, a method of linking and coordinating the processes of socialist *reproduction* to ensure the balanced and dynamic development of all branches and subdivisions of the economy, and the improvement of the inter- and intra-branch proportions. The balance method is used extensively in planning and statistics. Its scientific and theoretical basis is the Marxist-Leninist theory of socialist reproduction. Economic balances are drawn on the basis of the principle of equality of the volume of resources and their use, and the principle of the correspondence between the indicators of both and the calculation of the creation of reserves. A variety of economic balances are employed to define the quantitative relations between the production of the means of production and consumer goods, the exchange between these two departments (and within each of them), between the consumption and accumulation of the *national income*, and between the capital construction plan and material and machinery resources, labour and financial resources, the capacity of the construction and installation organisations, etc. The balances of material and labour resources, production capacities, and the financial balance and *balance of money incomes and expenditures of the population* are a constituent part of the state's five-year plan for the country's economic and social development. Mathematical methods and computer technology are widely used in balance calculations. The inter-branch balances of production and distribution of the product, of labour expenditure, and of fixed assets are examples: their indicators reflect a more accurate and detailed characterisation of the most important processes in reproduction. The balance method is used for economic calculations on the scale of the entire economy, and for branches and regions. It links figures general for the entire economy with indicators of the distribution

and use of productive forces by branches and territories. The compilation of the *balance of the national economy* is the highest level of balance calculations.

Balance of Labour Resources, a system of indicators numerically characterising labour resources and their use; a component of the *balance of the national economy*. The balance of labour resources is worked out as part of the five-year plan and is broken down by year for the entire country and also for individual regions. The balance is composed of two parts. The first shows existing labour resources, which include the able-bodied population of working age (men between 16 and 59, and women between 16 and 54 years old, excluding groups I and II of disabled who do not work and those of working age who receive an old-age pension on preferential terms and do not work either), and those over retirement age or juveniles under 16 who work. The second part shows the distribution of labour resources according to three criteria: type of employment, sphere and branch of the economy, and social group. Distribution of labour resources by type of employment — in the state economy, in study while discontinuing to work, in the household, and individual subsidiary economy — reflects the country's social and economic transformations. As socialist society matures, the number of people employed in the state economy and those engaged in study while discontinuing work increases. In 1979 there were 135 million people employed in the state economy of the USSR. In 1960, 78 per cent of the USSR's labour resources were engaged in the state economy or in study while discontinuing work; in 1980 the comparative figure was over 90 per cent. The distribution of labour resources between production and non-production spheres, and in the various branches, are important economic dimensions. Higher labour productivity results in a marked increase in the number of workers employed in the non-production sphere. The development of the productive forces in agriculture and the growing socialisation level of *collective farm-and-cooperative property* are reflect-

ed by changes in the composition of labour resources by social group, in an increase in the numbers and proportion of workers and employees and a decline in the number of collective farmers. The balance of labour resources makes it possible to define the scale of labour resources and to ensure their systematic distribution by sphere of activity and region; and it enables the training of skilled cadres in accordance with economic growth requirements and more efficient use of labour resources.

Balance of Money Incomes and Expenditures of the Population, a constituent part of the *balance of the national economy*: a system of indicators reflecting movement in that part of the *national income* which is distributed among the members of socialist society in monetary form. This type of balance is employed to define the relation between the *effective demand* of the population and its provision with goods. The balance figures are used to plan commodity turnover, the payments and savings of the population, and monetary circulation as a whole. The balance is drawn up for the entire country, as well as for the Union republics, territories and regions. The balance appears under two headings: income and expenditure. The formation of disposable income of the population is indicated in the "income" section according to the principal sources of origin: from state and cooperative enterprises (wages and salaries, the money incomes of collective farmers, pensions, allowances, etc.), from the sale of agricultural products, and receipts from the financial system (loans and lottery winnings, interest on savings deposits, etc.). The expenditure of money is indicated according to the principal forms in which it is used: purchases of goods from state and cooperative enterprises and from collective farmers, payments for services (housing and public utilities, daily requirements, transport, communications, entertainment, etc.), the paying of compulsory dues, voluntary contributions and savings, and, finally, the payment for goods and services on the basis of exchange between groups of the population. Apart from this,

the indicators of the balance illustrate the magnitude of change in the disposable income remaining with the population, and calculating this aspect is very important for planning currency circulation. The movement of disposable income is shown in the balance for the entire population and for the basic social groups. It is very important to have this kind of social breakdown in the balance of money income and expenditure of the population because the sources of disposable income and the principal items of expenditure vary significantly from group to group. When defining the volume of the purchasing fund of the population, certain forms of non-commodity expenditure (chiefly payments for various services and of dues) are excluded from the total sum of money receipts, as are resources intended to augment savings. The indicators of the balance make it possible to define the role of individual sources in the formation of the population's disposable income and purchasing fund, reveal the correspondence between the effective demand of the working people and the supply of goods and services, and resolve a series of issues of great economic importance. The population's monetary means are backed mainly through the growth of social production, with labour productivity growing faster than wages. If this pattern is not followed, a shortage of consumer goods greatly in demand ensues, and in the final analysis the country's entire economy is adversely affected.

Balance of Payments, balance reflecting the correlation between the monetary appropriations of a given country from abroad and all its payments abroad for a definite period (a year, three months, etc.). The balance of payments reflects accounts for different types of economic relations between countries — *foreign trade*, *migration of capital*, trade in licences, transport, tourism, maintenance of diplomatic missions abroad, private individuals' remittances, etc. The balance of payments of the capitalist countries includes the balance of the movement of capital (long- and short-term), apart from the balance of

current operations comprising accounts for foreign trade in commodities and services, and incomes from foreign investment and remittances. The balance of payments deficit is covered by exports or imports of gold (which is reflected in the balance of payments item Changes in Gold Currency Reserves) and increasing or reducing foreign debts. Balance of payments is an important indicator of the country's economic position. A deficit points to the country's weakened position in the world market and serious economic difficulties. To improve the balance of payments, the capitalist countries often resort to *devaluation*. In the socialist countries the balance of payments reflects the planned nature of foreign economic operations under the state's monetary monopoly.

Balance of the National Economy, a system of scientifically grounded and inter-related indicators describing as a single whole the basic features of expanded socialist reproduction (see *Reproduction, Socialist*), the most important proportions in the development of the national economy. It forms a quantitative model of socialist reproduction. In this balancing, a distinction is made between the planning balance and the current balance. By using the planning balance the optimal development of the economy for the ensuing period can be defined. The current balance characterises the actual results of fulfilment of plan tasks, and contains analytical material essential for the compilation of the next planning balance. It may also include certain indicators not foreseen in the plan (indicators of additional resources, unforeseen losses, etc.). The indicators of the expanded reproduction of the *aggregate (gross) social product* form the basis of the balance of the national economy. They reflect the material content of the gross and *final social product*, the material relations between the economic branches, as well as the proportions by value of the production, distribution and final use of the social product and the *national income*. The expanded reproduction of the social product is not treated separately in the balance of the

economy but as a whole, along with the reproduction of labour power and of the instruments and objects of labour. The social labour, production, distribution, exchange, consumption and accumulation of the social product and national income are all expressed in the balance as parts of a single whole. The balance of the national economy is made up of the following basic divisions: 1) reproduction of labour resources; 2) reproduction of the social product in its physical unit composition; 3) reproduction of the social product by value, as in the formation and use of incomes; and 4) reproduction of the national wealth. Each of these divisions is presented in the balance of the national economy as composite balances, among which are: the *balance of labour resources* in the economy; the balance of the production, consumption and accumulation of the social product (a composite material balance); the balance of the production, distribution, redistribution and final use of the social product and national income (a composite financial balance); and the *balance (inter-branch) of the production and distribution of the social product*. In turn, each of the composite balances is organically extended by a system of local balances or tables which provide more detail about individual aspects of reproduction. In addition, each local balance is also of independent significance. Among them are: the balance of labour resources by individual regions of the country; the balance for time usage by workers in separate branches of the economy; material balances for individual types of product; the balance of the money incomes and expenditures of the population; the balance of the fixed assets; the balance table for the accumulation of wealth and a series of others. The balance of the national economy is usually drawn up for a 12-month period in current prices, which makes it possible to determine the relations and interconnections of expanded reproduction. For studying the economy's development dynamics, the most important indicators are also calculated in comparable prices. The basic figures in the balance of the national economy are broken

down according to the form of socialist property and social population group, which allows an analysis of the processes by which socialist *relations of production* are strengthened and improved.

Balance (Inter-Branch) of the Production and Distribution of the Social Product, a component of the *balance of the national economy* which, aided by a system of indicators, illustrates the main functional orientations in the use of the aggregate social product and provides a quantitative description of the most important socio-economic results of reproduction. The major feature of this balance is that it indicates the reproduction of the *aggregate social product* in the totality of its physical and value forms according to a detailed classification of the branches of the economy and of industry. *Economico-mathematical methods* are extensively employed in drawing up the inter-branch balance. The inter-branch balance of production and distribution is calculated on the basis of full classification but in abbreviated form. It is composed of two tables in which the indicators are expressed in physical terms. The first table lists the branches of material production, including those of industry; while the second is comprised of the most important products. Each branch is represented only by the production of its typical products (the so-called ideal branches) which ensures accuracy in calibrating inter-branch proportions. The main links and proportions of socialist reproduction are basically characterised in value using a system of indicators that consists of four interrelated parts (quadrants). The indicators of the first quadrant illustrate the proportions in which the products of each industry are distributed for the production of products in others, i. e., they describe the process of productive consumption. The second quadrant is composed of indicators showing the use of products for the purposes of productive consumption and accumulation, compensation for losses, and export. The third quadrant shows the primary distribution of the *national income*, and the fourth illustrates certain processes of its redistribution. Static and dynamic

models of the inter-branch balance exist, which permits one to make judgements not only about the development of the economy at the moment of compilation of the balance, but also about the trends in its long-term development. Thus the inter-branch balance of production and distribution of products makes it possible to trace how the complex process of expanded reproduction of the aggregate social product evolves from the movement of products in individual branches. This balance enables one to define the coefficients of the direct and total costs of products for the entire totality of branches represented in the balance, and for the economy as a whole; and it gives a description of the relationship between the two subdivisions of social production, between productive and non-productive consumption, between consumption and accumulation, between the *aggregate social product* and the final product, and between all elements of the value of the social product. The inter-branch balance of production and distribution is used as the basis for drawing up the inter-branch balance for labour expenditure (in annual totals of workers, or man-hours) and the balance of fixed assets. The first of these describes the basic proportions of social production and inter-branch links expressed in labour expended, and the second, the proportions in which the fixed assets are distributed throughout the economy. This is of key importance for the drawing-up of long-term technical development plans.

Bank Capital, capital concentrated in specific capitalist enterprises — the banks — and consisting of the bank's own monetary means (the smaller part of bank capital) and borrowed means accumulated in bank deposits from the temporarily free money of active capitalists, of public and other organisations, and of working people. The basic function of bank capital, irrespective of the specialisation of any particular bank, is the use of the accumulated monetary resources for loans to active capitalists in the hope of extracting bank profit — one of the transformed forms of the *surplus value* created by *wage labour* in material production. This function is

carried out through the activities of the banks, which are subdivided into passive — linked to the formation of bank reserves — and active, charged with distribution and use of these reserves. Bank profit is accrued from the difference between the higher *interest* rates which the bank charges for active operations, and the lower rates which it pays for passive operations. Before the era of imperialism the major trend in the movement of bank capital was as an intermediary in payments. However, as capitalism evolved into monopoly capitalism the concentration and centralisation of bank capital has intensified, and bank monopolies have emerged which try to dictate terms to the active capitalists. The banking institutions possess large folios of shares of industrial and other companies. A gradual coalescence of monopoly bank and monopoly industrial capital is taking place. On this basis a qualitatively new phenomenon in the development of capitalism is being formed: *finance capital and financial oligarchy*.

Bank Deposits Abroad, national and foreign currency, gold, securities, including promissory notes, cheques and letters of credit, as well as other valuables belonging to a bank, which are deposited with it or other banks. The sum total of such valuables belonging to issue or commercial (merchant) banks, as well as the national currency resources deposited in banks abroad add up to a bank's or a state's currency deposits abroad. These are used to make payments, pay off obligations and carry out payment turnover between countries. In the capitalist countries, bank deposits abroad are usually made in dollars or sterling; recently, there has been an increase in the number of deposits made in West German marks and Japanese yen. Some of the deposits of the capitalist countries are made up of SDRs (special drawing rights) — the conventional units of the *International Monetary Fund*. Having considerable deposits abroad, Soviet banks (the USSR State Bank, the USSR Vneshtorg Bank) carry out monetary payment operations with foreign countries, many of which have deposit accounts in

Soviet banks for the same purpose.

Banknotes, a variety of credit money issued by the issue banks, and substituting for metal money as a means of circulation and payment. Banknotes have their origin in the development of commodity-money relations and payment turnover. As commodity-money relations expanded, commercial bills, i. e., promissory notes issued by individual capitalists, began to partially replace metal money as a means of payment. Subsequently, bankers and banks began to discount bills of exchange and themselves issue bills, banknotes, which began to circulate as credit money. At first banknotes were issued by individual bankers and commercial banks; then as issue banks were established, they took over the *emission* of banknotes, which became subject to state control. Prior to World War I banknotes could usually be freely exchanged for gold. In the period of the *general crisis of capitalism* banknotes have lost more and more of their stability. With the onset of the 1929-33 world economic crisis the convertibility of banknotes for gold was stopped in all capitalist countries, and non-convertible banknotes began to be issued: this effectively signified their transformation into state paper money with a compulsory exchange rate. The excessive issue of non-convertible banknotes in the capitalist countries following World War II has led to increased *inflation*. Unlike the banknotes of the capitalist countries, the notes of the USSR State Bank and those of other socialist countries are released into circulation at a controlled rate on the basis of cash and credit plans, as a form of short-term credit of the economy and in accordance with goods turnover requirements in ready money. They are backed first of all by all of state commodity production as well as by the gold, precious metals and other assets of the USSR State Bank.

Banks, credit and financial institutions whose most important functions are the accumulation of temporarily free money (passive operations) and their provision as loans to enterprises which periodically

require funds (active operations). To attract depositors to place their money in banks, the latter pay a definite interest on these deposits. When providing a loan to debtors, a higher interest rate is charged. The bank derives its income from the difference between these two rates of interest. Under capitalism this bank income is a part of the surplus value created by hired workers in the productive use of the loan. It is not only the free monetary means of the industrial capitalists which are transformed into capital via bank credits, but also the small savings of working people. In this way the banks expand the basis of capitalist accumulation. This is responsible for the deepening of *economic crises of overproduction* and the heightening of all the contradictions of capitalism. Depending on their basic functions the banks may be classed as commercial (deposit), mortgage, foreign trade, international, issue and others. The central issue banks are the "banks of the banks". They issue securities, hold the obligatory reserves of all the other banks and provide them with credits, and conduct the cash operations of the state budget (see *Budget, State*). In the era of imperialism the role of banks fundamentally changes. They are transformed from humble intermediaries in the redistribution of monetary means between enterprises into the all-powerful monopolists of the money market who actively influence production (see *Bank Capital*). The international banks of the capitalist system serve as a means by which the major imperialist powers collectively exploit the developing countries. In socialist society the banks are used by the state as an instrument for the planned redistribution of monetary resources between socialist enterprises. Through regulating the circulation of money, the state financing of capital construction and socialist credit relations, the banks allow accounting and supervisory control to be exercised over the economic and financial activity of the enterprises with the objective of accelerating the development of productive forces, of science and its application in the economy, and raising production efficiency (see *Banks under Socialism*). Further economic cooperation between the so-

cialist countries and the extension of economic integration promote foreign currency-financial and credit relations and improve the forms and methods of accounting between countries (see *International Bank for Economic Cooperation; International Investment Bank*).

Banks under Socialism, state institutions which systematically serve the circulation of money, and exercise accounting and supervisory control over the economic activity of enterprises by means of credit, accounting and cash operations. As the instruments of the reverse redistribution of monetary means, the banks accumulate the temporarily free monetary resources of the economy and, in accordance with credit plans, accomplish the direct, specific and reverse short-term and long-term credit provision to the economy, and also provide loans to the people for their consumer needs. From the state budget and special funds, the banks finance capital construction without return. Through its banks the socialist state provides credit to other countries, above all the socialist and developing countries. The interest rate charged for credit finances the running costs of the banks and comprises their profit which is a source of credit. In their capacity as the accounting centres of the socialist economy, the banks organise and draw up the clearing operations between enterprises for material wealth and services, enterprises' accounts with the financial and banking system, and the accounts for trade and other economic relations with other countries. The banks fulfil the issue and cash operations for the economy and the population, as well as the systematic regulation of money circulation on the basis of the cash plan of the issue bank, and concentrate and use the funds of foreign currency. In Lenin's definition, the banks under socialism are the machinery for the public "accounting and regulation of the socialist-allyed economic life of the country as a whole" (V. I. Lenin, *Collected Works*, Vol. 27, p. 223). In systematically carrying out credit, accounting and issue and cash operations for the economy the banks conduct economic supervision over

the production, distribution and use of the social product, and facilitate the raising of the *efficiency of social production* in the interests of building communism and of greater public well-being. The organisational principles of the socialist banking system are: state monopoly of banking activities and a uniform state credit policy for the entire country; democratic centralism in bank management; concentration of the country's money circulation in the all-state central bank with the extensive development of clearings. The organisational structure of the banking system and methods of crediting and accounting of the different socialist countries have their own distinctive features. The Soviet banking system comprises the USSR State Bank (Gosbank), the Bank for Financing Capital Investments (Stroibank) and the Bank for Foreign Trade (Vneshtorgbank). The USSR State Bank is the country's sole issue, credit, accounting and cashing centre. The credit investments of Gosbank account for about 90 per cent of the credit investments of the entire Soviet banking system into the country's economy.

Basic Contradiction of Capitalism, the contradiction between the social character of production and the private capitalist form of appropriation of the products of labour. As the modern *productive forces*, which are based on large-scale machine industry, develop, production is further concentrated (see *Concentration of Production*), and there is further *social division of labour*, while economic ties between various enterprises and industries intensify. Enterprises of different industries, hundreds of thousands and millions of workers incorporated in capitalist organisation of labour at their workplace are directly or indirectly involved in manufacturing all kinds of products. As a result the process of production and labour is increasingly socialised. However, production and its products belong not to those who create them, not to the working people, but to private owners — the capitalists, to their monopoly amalgamations, which use the collectively manufactured products to ex-

tract profit, and not in the interests of society as a whole. The basic contradiction of capitalism manifests itself, first of all, in the deep antagonism between *wage labour* and *capital*. This contradiction is also expressed in the relative organisation of production at individual enterprises and in anarchy and spontaneous development of the entire capitalist economy. In their race for profits, the capitalists expand production to huge dimensions and increase the exploitation of workers. At the same time, the effective demand of most of the people is limited by the value of the labour power, and when there is permanent mass unemployment, it often is below its value. Therefore, the basic contradiction of capitalism is the cause of the periodic *economic crises of overproduction*, followed by the squandering of social labour and by the direct destruction of manufactured material wealth. In the imperialist stage of capitalism the basic contradiction increasingly aggravates and deepens. Although scientific and technological revolution accelerates the process of socialisation of production, under the monopoly domination, it engenders new contradictions, which express the discrepancy between the unprecedented opportunities opened up by that revolution and the obstacles which imperialism erects to their utilisation in the interests of society as a whole. The social character of modern capitalist production is glaringly contradicted by the character of state regulation of the capitalist economy in the interests of a handful of monopolists. Capitalism not only breeds its basic contradiction, but also creates the material and subjective conditions to resolve it. Most of the working class is concentrated in large enterprises and in industrial centres. This facilitates its unification, consolidation and organisation in the struggle against the bourgeois class. In the course of revolutionary struggle, the working class, at the head of all the working people, eliminates the basic contradiction of capitalism through the revolutionary destruction of the bourgeois system and its replacement by a more progressive social system — socialism, based on public ownership of the means of production and the appropriation of all products of col-

lective labour by the working people themselves.

Basic Economic Law of Capitalism, the production of maximum surplus value and its appropriation by capitalists through increasing the number of wage workers and intensifying their exploitation. "The directing motive, the end and aim of capitalist production," Marx wrote, "is to extract the greatest possible amount of surplus-value, and consequently to exploit labour power to the greatest possible extent" (K. Marx, *Capital*, Vol. I, p. 313). Discovered by Marx, the basic economic law of capitalism determines all the main features and aspects of capitalist production, its main stimulus and social tendency. It expresses the main production relation of the capitalist mode of production — that of the exploitation of wage labour by capital. Marx regarded the discovery of the law of surplus value to be the ultimate achievement of his studies in *Capital*. The formulation of the theory of surplus value and the discovery of the basic economic law of capitalism made it possible to explain almost all social and economic processes and phenomena in bourgeois society, reveal the profound foundations of the *capitalist mode of production*, its exploitative essence, and the reason of the antagonistic contradictions between the working class and the bourgeoisie. The theory of *surplus value* made it possible to scientifically substantiate the inevitability of socialist revolution and the collapse of the capitalist mode of production. That is why Lenin called the theory of surplus value the cornerstone of Marx's economic teaching. He wrote that "Marx deduces the inevitability of the transformation of capitalist society into socialist society wholly and exclusively from the economic law of the development of contemporary society" (V. I. Lenin, *Collected Works*, Vol. 21, p. 71) — in other words from the law of surplus value. The basic economic law of capitalism operates throughout the entire period that this mode of production exists. But it has different forms at different stages of capitalist development. In the pre-monopoly epoch, it operated as the law of the average rate of profit.

The transition to imperialism led to a modification of the law of surplus value into the law of monopoly profit (see *Monopoly Superprofit*).

Basic Economic Law of Socialism, ensuring the complete well-being and free comprehensive development of all members of society through the steady growth and improvement of social production. Reflected in this law is the main cause and effect relationship in socialist relations of production: between socialist ownership of the means of production and the trend of the development of social production. The basic economic law of socialism expresses the community of interests of the joint owners of the social means of production in the process of socially coordinated labour, and characterises the main feature of the socialist economic system — the subordination of social production to the growing well-being of all members of society. The dominant socialist ownership of the means of production objectively conditions the planned organisation of social production "with the object of ensuring *full* well-being and free, *all-round* development for *all* the members of society" (V. I. Lenin, *Collected Works*, Vol. 6, p. 52). The basic economic law of socialism plays a determining role in respect to all other economic laws and is the backbone of the entire system of economic laws operating in socialist society, and determines the basic inter-relations of the economic laws of production, distribution, exchange and consumption of material boons. Revealing the social thread of production, it determines a fundamentally new system of proportions for economic development. In accordance with the basic economic law of socialism, the Constitution of the USSR proclaims: "The supreme goal of social production under socialism is the fullest possible satisfaction of the people's growing material, and cultural and intellectual requirements." The people's well-being depends on the level to which production has developed, the productive force of labour and the improvement of *relations of production*. Socialist society eliminates the antagonistic contradiction between production and

consumption inherent in capitalism. An economy that is planned in the interests of the entire society and of each of its members ensures the steady growth of the *aggregate social product* and overcomes the limited, under capitalism, action of the *law of higher consumption standards*. Socialism holds it perfectly ordinary that requirements and the means of satisfying them grow steadily. The continuous improvement of the proportions of production ensures the rational use of labour and material resources in full compliance with the volume and structure of aggregate social requirements, attaining the best possible national economic results so as to ensure universal well-being. The operation of the basic economic law of socialism finds its quantitative expression in the relation between the quantity of products necessary for fully satisfying aggregate social requirements and the quantity of products created at the given level of production in the country, i. e., the volume of real consumption of material wealth by members of society. At all stages of socialism, social production develops in accordance with the basic economic law. The material and technological base of developed socialism and the higher degree of maturity of socialist relations of production create objective conditions for expanding the sphere of its action and its fuller utilisation by society. The production and scientific and technological capabilities of developed socialism provide more opportunities for ensuring people's improved well-being and comprehensive development as a condition for applying their abilities by participating in socially useful labour. For its part, growing well-being and the development of the people's creative forces are one of the most important conditions of further economic and social progress. The highest degree of the satisfaction of material requirements and the all-round development of the personality with the lowest possible expenditure of live and materialised labour are the most important criterion of the effectiveness of social production. Production grows steadily through intensification on the basis of introduction of the latest achievements in science, machine-

ry and technology. The forms and methods of economic management are being improved so that socialist advantages can be utilised to the full in the course of *scientific and technical progress* and in accordance with increased scale of production. The qualitative indicators of activity in every component of the economy grow in importance. Determining the general direction of the development of production and improvement of social relations on the collectivist basis inherent in socialism, the basic economic law acts as the law of movement of the *communist mode of production*. The dialectical non-antagonistic contradiction between constantly developing production and personal requirements and the level of productive forces attained at the given stage of social development is an objective source of the onward movement of socialist production. The growth of the productive forces designed to increase the material well-being and comprehensive development of the members of society ensures the consolidation and enhancement of a new quality of life, combining material comfort and the comprehensive development of the personality, confidence in the morrow and the spirit of collectivism and mutual assistance in work, moral stamina and social optimism. All this ensures the harmonious perfecting of socialist society, and facilitates its transition to full social homogeneity. Thus, the material and cultural conditions are gradually created so that socialism can evolve into the highest stage of the communist formation. The basic economic law of socialism determines the principal content of the *economic policy of the CPSU*, whose highest goal is a steady rise of the people's living standards. This is graphically testified by the Food Programme of the USSR elaborated to run to 1990 in accordance with the decisions of the 26th CPSU Congress.

Bill, a special kind of written promise to pay a debt made out according to a legalised form, which gives its bearer the unquestionable right to demand, on the expiry of a specified term, that the person who has signed the note pay the stated

sum of money. The bill emerged from the function of money as a means of payment. It began to be widely used as commercial credit developed in relations between industrial and merchant capitalists. There are promissory and transfer notes. The promissory note is a written promise issued by the debtor to the creditor. The transfer note is made out by the creditor and is his special written order to pay a sum of money stated in the note to a third person by the specified date. Alongside the *banknote* and *cheque*, the bill is a medium of circulation used in the capitalist credit system. In a developed banking system, transfer notes predominate; they are also used in international settlements. The capitalist who received a bill when he sold his commodity on credit can turn it into money by selling it prior to the specified date of payment. The bank which buys a bill for cash withdraws a discount rate from the sum specified by it as a discount or payment for the money it loans. When the bill is due for payment, the bank presents it to the person who has signed it. Under imperialism, when commercial credit is used less often than banking credit, the role of the bill in commercial circulation has become far less important than it was under pre-monopoly capitalism. In the USSR, bills were used at the initial stage of the New Economic Policy (NEP) in business between state and cooperative enterprises. The credit reform of 1930-31 abolished the circulation of bills. Today they are used by socialist countries only in foreign trade settlements with capitalist countries.

Bond, a security, whose owner has the right to obtain income as a fixed *interest* from its nominal cost or premiums; a promissory note issued by the government or company on certain terms when floating a domestic loan. In capitalist countries, bonds are issued by the state or private joint-stock companies, and are one of the forms of *fictitious capital*. Income from bonds, issued by capitalist states, is paid out as premiums. Owners of the bonds, issued by joint-stock companies, receive incomes in the form of a pre-established

interest. Once a definite term has expired, bonds have to be redeemed. Unlike shares (see *Stock [share]*), bonds do not grant their owners the right to vote at the meetings of the shareholders. In capitalist society bonds circulate on the money market and have an exchange rate of their own, which depends on the income they bring and on the level of the loan interest, as well as on their supply and demand. Bonds very often become an object of exchange speculation. Capitalist countries usually use the money received from the sale of bonds to cover budget deficits, and spend much of it on the arms race, warfare, etc. The taxes raised from the working people usually finance the interest which the bourgeois state pays out on bonds, while the profit of the enterprise serves as the source of interest paid out on bonds issued by a capitalist joint-stock company. Under socialism, bonds are issued only by the state, which makes state loans (see *Loans, State*). They are one of the forms of mobilising the financial assets of the working people for developing the economy in the interests of the people as a whole.

Bourgeoisie, see *Classes, Social*.

Budget, State, a balanced estimate, drawn up annually, of the incomes and expenditures controlled by the organs of state authority. The composition of incomes, the distribution of expenditures and the sources and role of the state budget all depend on the socio-economic and political organisation of the state in question. The budget of the capitalist state, as Marx showed, "is a class Budget — a middle-class Budget..." (K. Marx, F. Engels, *Collected Works*, Vol. 12, p. 63) and expresses the proportions in which the national income is redistributed between the classes and social groups of capitalist society. Much of the expenditures is devoted to military purposes, to the maintenance of the parasitic state apparatus and the apparatuses for the exploitation and oppression of the working people. A basic source of income is the constantly increasing personal taxation which places a heavy burden on the shoulders of the workers. Under socialism

the state budget is entirely used in the interests of society and each of its members (see *State Budget of the USSR*). Apart from the state budget there are budgets for administrative and territorial units

(local organs of self-government, members of federations in federal states), local budgets (territories, regions, districts, and towns), and budgets of enterprises and institutions.

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Capital, self-expanding *value*, or value which begets *surplus value* as a result of the exploitation of wage labour. It expresses the socio-production relations between the main classes of bourgeois society — the capitalists and the wage workers. Karl Marx gave an in-depth analysis of this category of the political economy of capitalism. He refuted bourgeois economists' interpretation of capital as an aggregate of things (means of production), and was the first to discover that "capital is not a thing, but rather a definite social production relation, belonging to a definite historical formation of society, which is manifested in a thing and lends this thing a specific social character" (Karl Marx, *Capital*, Vol. III, p. 814). *Commodity production*, and developed *commodity circulation* served as the historical conditions for the emergence of capital. The initial and overriding form of capital is its monetary form, and the general formula of capital is $M-C-M'$, where M is money, C , a commodity, and M' is a sum of money plus a certain increment. Money becomes capital only when its accumulation makes it possible to purchase the means of production and labour power, and to concentrate them in the hands of one stratum of society, whereas other members of society, being personally emancipated but deprived of the means of production, become sellers of their labour power. The transformation of money into capital was accelerated by the *primitive accumulation of capital*. The capitalist buys the means of production, i. e., *constant capital*, and *labour power*, i. e., *variable capital*, and joins them in the production process. New value is created through workers' abstract labour. The greater quantity of the newly created value compared to the value of the labour power forms surplus value, which is appropriated by the capitalist. Thus, variable capital creates surplus

value. The subdivision of capital into constant and variable reveals its exploitative nature. It demonstrates that the unpaid-for surplus labour of workers (see *Surplus Labour*), embodied in surplus value, is the source of the growth of capital. The surplus value is spent on the capitalist's private consumption and for increasing his capital (see *Accumulation of Capital*) and, correspondingly, for stepping up and intensifying exploitation. The self-expansion of capital takes place during the *circuit of capital* and the *turnover of capital*. "Capital ... is a movement, a circuit-describing process going through various stages, which itself comprises three different forms of the circuit-describing process. Therefore it can be understood only as motion, not as a thing at rest" (Karl Marx, *Capital*, Vol. II, p. 108). Marx discovered the various methods of transferring value to the created product and described the division of capital into *fixed capital* and *current capital*. The capital functioning in the production process is *productive capital*. During its turnover, other parts of capital assume either the form of a commodity or of money (see *Commodity Capital*; *Money Capital*). The alienation of these parts of capital results in the formation of *merchant's capital* and *loan capital* which bring their owners part of the surplus value created during the production process in the form of commercial profit and interest. With the development of capitalism, one can observe a growing desire on the part of capitalists to extract surplus value, to accumulate capital and step up the exploitation of workers. During the imperialist stage a fierce struggle develops to obtain *monopoly superprofit*. Lenin further developed Marx's theory of capital. In his works he gave a profound analysis of its movement in the epoch of imperialism and discovered a new category, *finance capital*.

Capital Investment under Socialism, the aggregate of expenditures allocated for the creation of new fixed assets, and for the modernisation and expansion of existing fixed assets which function both in the production and non-production spheres.

Capital investments are expenditures for all kinds of construction and equipment, for assembly operations, purchases of plant and equipment, for the carrying out of designing and prospecting, the preparation of construction sites, etc. Under capitalism it is *surplus value* that is the source of capital investment. The surplus value may be a result of wage labour inside the country, the exploitation of the peoples of dependent countries, loans at exorbitantly high interest rates, or contributions and non-equivalent exchange in foreign trade. Capital is invested in the most profitable economic sectors. Spheres of capital investment are distributed amidst fierce competitive struggle. In socialist society, capital investments are formed through internal sources of accumulation, and are channelled, in a planned way, into creating the *material and technical base of socialism* and communism. They are the main factor of expanded socialist reproduction (see *Reproduction, Socialist*) and for ensuring high and stable rates of economic development. Capital investments are financed from centralised funds stipulated in the state budget, and are distributed among economic sectors; they are also financed from the funds available at industrial enterprises, in cooperative (collective-farm and cooperative) organisations, or from the depreciation funds and working people's savings (for building houses), etc. The means slated for capital investments are concentrated in the state central banks: in the Soviet Union these are the USSR Stroibank and the USSR State Bank (apart from people's savings invested in housing). Important sources of capital investment are the production development fund and the social-cultural and housing construction fund (see *Economic Incentives Funds*) created at each state enterprise. The credit form of capital investment, such as long-term credits to collective farms, other cooperative organisations and individual citizens, is also practised. Capital investments in the economy, which increase every year, serve as an indicator of the country's growing economic strength. In the Soviet Union

the dynamic pattern of capital investment has recently been characterised by their channelling into the most progressive industries, such as the electrical power and chemical industries, engineering, etc., which are the pacemakers of scientific and technical progress and of raising living standards. Capital investments in agriculture are increasing considerably. Alongside changes in the sectoral structure, a progressive trend has been the greater share of capital investments made to expand, modernise and retool running industrial enterprises (see *Expansion and Reconstruction of Running Enterprises*). Today, the task of radically reducing the number of launching new projects while bringing up existing projects to design output, as well as the task of increasing the effectiveness of capital investments, has become very urgent and demanding.

Capital Investments, long-term capital investment at home or abroad in industrial, agricultural, transport, trade and other economic enterprises in order to extract profit. Under imperialism, the basic investors are the monopolies and the bourgeois state. Some investments are made by non-monopoly private companies and individual capitalists, although the overwhelming portion of their long-term investments are ultimately controlled by the monopolies. The development of state-monopoly capitalism gives added importance to state investment in those economic branches where private capital is not ensured high profits, such as the *infrastructure*. Enterprises built on the basis of state investments are often sold very cheaply to the monopolies once production has been organised in them and their market position strengthened. State investments are financed from taxes, the profits of state enterprises, issue of new money or of domestic or foreign loans by the government. Private companies finance investments from their own resources: non-distributed profit, depreciation and other funds, and extraneous sources, such as long-term credits, the sale of stock (*shares*) (increase in their own capital), obtention of loans through

selling bonds and other securities. Most of the capital invested by industrial companies goes into production *fixed capital*, i.e. buying buildings, structures, equipment, goods and other material resources, etc. Under imperialism the predominant form of investment by individual capitalists is the acquisition of securities of share-holding companies, namely shares, bonds, etc., and also state loan debentures. Private and state investments are financed by banks and other financial and credit institutions: *insurance monopolies*, *investment companies*, pension funds, and savings banks. The militarisation of the imperialist economies enables the monopolies to obtain huge profits from capital investments in military production, where they are greatly supported by the state. Imperialism has greatly encouraged foreign investments, which the imperialist powers use to plunder other countries, above all those that are economically underdeveloped. Recent decades have seen an increase in foreign investment within the group of developed capitalist countries, against the background of the overall internationalisation of economic life. Today, almost all foreign investments are made by international industrial and banking monopolies, which use long-term capital investments to capture key positions in various sectors of the economy of many countries. The bourgeois state is itself an important investor of capital abroad, it expends huge amounts of money to encourage, insure and guarantee the private investments of the largest financial and monopoly groups. Thanks to the action of the *general law of capitalist accumulation*, capital investments go hand in hand with improving the *organic composition of capital*, increasing the wealth of the capitalist class and worsening the position of the working class.

Capital Productivity Ratio, one of the indicators of efficiency in using *capital investment under socialism*. As an indicator of total returns on capital (or the absolute efficiency of capital investment) for the country's economy as a

whole and for its sectors and geographical regions, it is determined as the ratio of the annual increase in *national income* (with its material structure in comparable prices specified) to the size of capital investments in the sphere of material production. An indicator of capital productivity is the magnitude which is the inverse to the indicator of capital intensity. The latter is calculated as the ratio of capital investment to the increase in gross output (see *Economic Efficiency of Capital Investment*).

Capitalist Exploitation, see *Exploitation of Man by Man*.

Capitalist Mode of Production, a social mode of production of material benefits, based on private capitalist ownership of the means of production and the exploitation of wage labour. "We call *capitalist production*," Marx wrote, "a social mode of production under which the process of production is subordinated to capital, i.e., which is founded on the relationship between capital and hired labour" (Karl Marx, *Zur Kritik der politischen Ökonomie [Manuskript 1861-1863]*, Part 1, p. 120). It replaced the *feudal mode of production*. Under capitalism, society is divided into two main antagonistic classes — the class of capitalists, or owners of the means of production who exploit the working people; and the class of proletarians, who are deprived of the means of production and means of livelihood and are therefore compelled to constantly sell their labour power to the capitalists. The main economic law and the stimulus of the capitalist mode of production is the creation of *surplus value* by the workers and its appropriation by the capitalists. The unpaid labour of wage workers is the source of surplus value. Compared to previous modes of production (primitive communal, slave-owning and feudal) the capitalist mode of production is more progressive since it ensured the higher level of development of society's productive forces, radically raised the productivity of social labour, completed the socialisation of production and labour on a huge scale,

sharply increased the volume of production, and raised its technological level. Although the capitalist system, and the corresponding mode of production, developed the *productive forces* of society to an unprecedented extent, it nevertheless condemned, due to its inherent irreconcilable class contradictions, a large section of the population — the working people — to wage labour, poverty and deprivation, since all the benefits of the growth of social production under this system are reaped primarily by the capitalists. The main contradiction of the social system based on the capitalist mode of production is that between the social character of production and the private capitalist form of appropriation (see *Basic Contradiction of Capitalism*). By collecting millions of workers at plants and factories, and by socialising the process of labour, capitalism gives a social character to production but the results of labour are appropriated by the capitalists. This basic contradiction of capitalism is revealed in the anarchy of production and the lagging of society's effective demand behind expanding production — a fact which results in destructive periodic economic crises. In turn, the crises and periods of economic stagnation impoverish small producers even further, gradually increase the dependence of hired labour on capital and the relative and at times absolute deterioration of the economic and social position of the working class. During *economic crises of overproduction*, the productive forces are destroyed on a mass scale, unemployment sharply increases, a great number of people are deprived of productive labour, much of the machinery is idle at capitalist-owned factories and is even sometimes destroyed. With the development of capitalism, the degree of exploitation of the working class increases, all the contradictions of the capitalist mode of production sharpen, and the class struggle intensifies and becomes even more fierce. With the transition of capitalism to the highest and last stage of its development, i. e., to *imperialism*, and especially during the *general crisis of capitalism* the contradictions of the bourgeois mode

of production deepen and become particularly acute. Factors such as the omnipotence of monopoly capital in the capitalist states' economy and politics, the tendency towards degeneration and parasitism, the increasingly uneven economic and political development of capitalism at the stage of imperialism, the utilisation of achievements in science and technology for the militarisation of the economy, the unrestricted arms race and growing social contradictions and conflicts within bourgeois society, further undermine the foundations of the capitalist mode of production. Capitalism cannot cope with the productive forces which it has created and which have extended the limits of capitalist production relations and become obstacles to their further development. Historically, modern capitalism has become outdated, and must be replaced by a more progressive system — socialism. The objective and subjective prerequisites for the transition to a new *communist mode of production* develop within bourgeois society during the development of the capitalist mode of production. The victorious Great October Socialist Revolution in Russia brought about the first ever destruction of the capitalist mode of production. The domination of the capitalist mode of production was also brought to an end in several other countries as a result of socialist revolutions.

Cartel, one of the forms of monopoly association whose participants conclude agreements on prices and markets, exchange patents for new technology, etc., while retaining production and commercial independence. The aim of a cartel, like that of any other form of monopoly association, is to obtain *monopoly superprofit* and strengthen its positions in the competitive struggle. Enterprises belonging to the same industrial sector are united into a cartel. To sustain high monopoly prices (see *Monopoly Price*), cartel agreements prescribe certain limitations on production facilities and marketing of goods for all cartel participants, as well as quotas for each participating party. If any cartel participant exceeds his quota, he is asked to

pay a fine to the cartel fund. Cartel agreements often contain provisions limiting workers' right to strike or directed against trade unions. The cartel form of monopoly association was most extensive in pre-war Germany, and now it dominates in the Federal Republic of Germany. Under monopoly capitalism, cartels may include the largest trusts. In some countries, the role of cartels is often played by sectoral associations of business people (see *Industrial and Trade Associations*), who divide markets between themselves. As of the turn of the century the formation of international cartels began which resulted in the *economic division of the world*. In the period before World War II international cartels were the main form of international monopoly. And although since the war their importance has somewhat subsided as they are being replaced by new types of international monopoly such as *transnational monopolies* and *international monopolies*, cartel agreements on the division of markets still exist in some sectors of the world capitalist production.

Centralisation of Capital, one of the methods (along with concentration) of amassing *capital*. It is a process of enlarging capital through the amalgamation of several capital funds into one, or of engulfing or merging with other capital. Centralisation considerably expands the growth possibilities of capitalist enterprises. Capital is centralised during fierce competitive struggle, in which the weaker capitalists who are unable to withstand competition are ruined, and their capital expropriated by the bigger and stronger capitalists or capitalist amalgamations. One of the forms of the centralisation of capital is the setting up of *joint-stock companies* with the aim of establishing the domination of big capital over many formerly independent capital funds. The centralisation of capital is closely linked with the *concentration of capital*: the growth and expansion of capital via the accumulation of surplus value ensures the progress of centralisation by engulfing and squeezing out weaker capitalists. In its turn, centralisation, while engulfing capital, stimulates the extensive

capitalisation of surplus value. Taken together, the concentration and centralisation of capital lead to greater concentration of production in the hands of a few big owners, with much of the aggregate capital of the industry concentrated at their enterprises. At a definite stage of development, this process leads to the appearance of monopolies. Under imperialism, the centralisation of capital is accelerated many times, resulting in the concentration of the decisive part of society's capital and wealth in the hands of the leading monopolies, with the process of centralisation taking place at the monopoly capital level. The greater mobility of *loan capital* pre-determines the special intensity of centralisation in banking affairs, where more and more financial resources find themselves under the centralised monopoly control of the biggest banks and other financial-credit institutions — *insurance monopolies*, *investment companies*, pension funds and savings banks. The finance capital formed by the merging, interlocking and joining of industrial and bank monopolies is the key link in the system of financial oligarchy domination. In the period of the *general crisis of capitalism*, capital is centralised not only horizontally, i. e., when the capital of enterprises of one branch merges, but also vertically, i. e., when companies engaged in all stages of production (mining, processing, power generation, manufacture of completing parts and articles, and sales) are taken over by one firm. Such firms subsequently spread their domination on all the branches and spheres of capitalist economy. As of the mid-1950s, a new form of capitalist centralisation began to spread, viz., *diversification*. This is the absorption of companies which have no production links, and which manufacture heterogeneous products. In search of new spheres to invest their capital, the biggest monopolies try to weaken their dependence on the marketing of a single commodity, and become intricate multi-branch organisms. With the further internationalisation of economic life inherent in modern imperialism, the centralisation of capital has occupied an important place in the expan-

sion of international industrial and bank monopolies. They make investments in the economy of other countries not only at the cost of their own internal accumulation, but also thanks to mergers with and takeovers of foreign companies. The centralisation of capital of both national and international monopolies and banks is based on the broad support of the bourgeois state, which makes use of diverse direct and indirect methods of stimulating the growth of the *finance capital's* economic power. In today's world, the direct consequence of the centralisation of capital is the unprecedented aggravation of monopoly competition on the national and international levels, and heightened exploitation of the working people.

Centralisation of Production, unification of several enterprises into one large enterprise, the expansion of production on the basis of the objective process of the development of the *productive forces* founded on machine technology. Possessing decisively greater economic advantages than small-scale production, large-scale production considerably expands the possibilities of using the latest achievements of science and technology. Under capitalism, production is centralised spontaneously in the course of competitive struggle, with small businesses being swallowed up by big enterprises, and with the merging of big enterprises to form huge ones. The centralisation of production is achieved through the *centralisation of capital*. The concentration and centralisation of capital and production at a certain stage leads to the appearance of *monopolies*, with the predominant share of social production concentrated in their hands. The further development of the processes of monopolisation of production, and the formation of *finance capital* intensifies monopoly domination and the increasing centralisation of production. While accelerating the development of the productive forces, the centralisation of capitalist production serves the interests of big monopoly capital, which uses its economic domination to expand and intensify the exploitation of the working people. It is accompanied by

the intensified instability of small- and medium-scale production and its decline. In the period of the ongoing *scientific and technological revolution* and the fiercer competition for the spheres of application of capital, monopoly centralisation of production is being increasingly accelerated. This is being done through the creation of various forms of multi-branch production complexes controlled by the biggest monopolies which play a decisive role in economic life. The bourgeois state has had a key impact on the centralisation of production. The broad participation of the state in this process in the interests of big business is determined by the aggravated contradictions of the *capitalist mode of production* and inter-imperialist economic contradictions. The economy becomes increasingly state-controlled through the nationalisation (see *Nationalisation, Capitalist*) of individual industries and enterprises and also through state investment. However, the character and methods of state-monopoly participation in the centralisation of production lead to deeper contradictions between the social character of modern production and private appropriation, between labour and capital. While accelerating the socialisation of production, centralisation increases the incongruity of capitalist *relations of production* with the character and level of the productive forces, is a powerful factor in aggravating the antagonistic contradictions of capitalism, and invariably creates the material and social conditions of a new social system. Under socialism, the domination of social ownership of the means of production determines the cooperation of labour on the scale of the entire economy and the planned and directly social regulation of production in the interests of the members of society. The centralisation of socialist production differs in principle from centralisation under capitalism by its socio-economic content, mechanism of implementation, and consequences. The former is implemented in a planned way in order to achieve the further growth of production, and to improve the well-being of all. The planned development of

the centralisation process, and the establishment of its optimal boundaries make it possible to utilise labour and material resources more fully in accordance with aggregate social requirements. Scientific and technical progress, and the increasing social division of labour intensify and complicate the economic ties between all the links of the economy, and considerably accelerate the centralisation of socialist production. Production, industrial, inter-branch amalgamations are being established in industry (see *Production Association; Industrial Association*) and *agro-industrial complexes* in agriculture. The setting up and development of production amalgamations, production and economic complexes makes it possible to concentrate material, labour and financial resources on fulfilling plan assignments; speed up the use in production of the latest achievements of science, engineering and technology; raise the technical level of production and product quality; make complex use of natural resources and, therefore, ensure the best conditions for effectively using the levers of economic growth. The centralisation of production is accompanied by the development of democratic principles of managing the economy and encouraging creative initiative by work collectives. The centralisation of production accelerates the development of state (belonging to all the people), and collective farm-and-cooperative forms of property and the process of their drawing closer together, raises the level of socialisation of production and on this basis the degree of its regulation in a planned way, and facilitates the further development of the productive forces and socialist relations of production.

Centralised Net Income of the State, a part of the *net income of society*, formed as a result of its distribution, and concentrated in the hands of the state to be used for the requirements of the population. In the Soviet Union, centralised net income is received from *turnover tax*, deductions from the profits received by state enterprises, as well as income taxes from collective farms and other cooperative organisations.

The need to centralise much of society's net income in the hands of the state is determined by the ownership of the means of production by the people as a whole, by the *economic role of the socialist state*, and by the necessity of satisfying the most important state needs. When society's net income is being distributed, one part of it is isolated and included in the state budget as a turnover tax. The existing mechanism of taxation from turnover ensures the regularity, stability and rapidity of the collection of part of the net income that will go into the state budget to satisfy the people's requirements. As the system of economic management and *cost accounting* are improved and socialist enterprises become more efficient, the share of the turnover tax in the centralised net income of the state declines, although the overall sum of the net income grows and the share of payments from profits increases. The mechanism of deducting profits from enterprises that will go into the state budget has changed considerably. Before 1965, state enterprises made only one kind of payment — deductions from profits; today deductions according to the existing system for forming the centralised net income of the state go into the budget as *payment for production assets*, fixed (rent) payments and the free remainder of the profit. The new mechanism helps to combine national, collective and personal interests more fully, to make more effective use of economic levers in the work of the production collectives (see *Collective, Work, Production*), and to enhance economic incentives. Both forms of the centralised net income of the state, although differing in their mechanism of formation, and in their functions and role, have one and the same socio-economic nature. In developed socialist society, the state uses the centralised net income to implement major socio-economic measures, make progressive structural shifts in the economy and help improve the socialist *way of life*.

Character of Labour, expresses the most important features of the social nature of labour inherent in the given economic sys-

tem of society. The domination of socialist ownership of the means of production radically changes the character of labour. Lenin wrote that under socialism "for the first time after centuries of working for others, of forced labour for the exploiter, it has become possible to work for oneself and moreover to employ all the achievements of modern technology and culture in one's work" (V. I. Lenin, *Collected Works*, Vol. 26, p. 407). Joint production activity in the common interest heightens the role of the working people in production, determines the free development of their physical and inner qualities, and intensifies the creative potential of human labour, filling workers with inspiration, a creative urge and the joy of labour. As socialist society develops, ample opportunities open up before a person to display his or her abilities in every way. This is shown by the country-wide *socialist emulation* movement and the growing mass movement of innovators and inventors. The fact that the Soviet people work for themselves and for their society, their joint creative work when the means of production belong to society as a whole make up the content of the economic freedom of everyone. Free from exploitation, the labour of the people in socialist society is a source of growing social wealth and of the well-being of the people as a whole and of each individual. Under capitalism, labour is hired and forced, and is characterised by exploitation and the antagonistic contradictions between its private and social aspects. Labour in socialist society becomes directly social (see *Direct Social Production*). Under socialism, the universal character of labour, i. e. when every able-bodied member of society has to engage in socially useful work in accordance with his or her abilities, is an inalienable feature of the social organisation of work. The demand that labour must be universal is reflected in the principle "He who does not work, neither shall he eat" which socialism practises. Article 14 of the Constitution of the USSR proclaims: "Socially useful work and its results determine a person's status in society." The universal nature of labour

does away with the grave injustice inherent in all antagonistic societies, in which exploiting classes usually lead a parasitic life, appropriating the fruits of the labour of others. *Unemployment*, inherent in capitalism, is also eliminated, thus giving all workers firm confidence in their future. The replacement of private ownership of the means of production by public ownership does away with unearned incomes. Participation in socially useful work becomes the source of income for all members of society. Labour in socialist society is the first stage in the development of *communist labour*. Socialism still cannot rid labour of the lopsidedness left over from capitalism nor eliminate the survivals of the former division of labour and change people's attitude to work. For most members of society, labour under socialism is still a means of subsistence. Society has to exercise control over the measure of labour and consumption of every person. The moulding of a comprehensively developed worker is directly linked with communist labour.

Circuit of Capital, movement of *capital* through the spheres of production and circulation, ensuring the production of *surplus value* and the reproduction of capital. The first stage of the circuit of capital takes place in the sphere of circulation. *Money capital* is spent to purchase the *means of production* (*Mp*) and *labour power* (*Lp*). This stage is expressed by the formula:

$$M-C < \frac{Lp}{Mp}$$

The purpose (the function) of the movement of capital at this stage is its transformation from its money form into its natural *commodity* form, which comprises the material (means of production) and personal (labour power) elements of production. The combination of the elements of production by the capitalist implies their productive consumption and yields the subsequent, the second stage of the movement of capital — the production of *value* and *surplus value*, indicated as ...*P*... (the dots show that the process of circula-

tion is broken). Having changed from its money form (M) to the form of *productive capital*, capital continues its movement in the sphere of production. Through production, capital acquires a commodity form (C'). Newly produced commodities qualitatively (by use value) and quantitatively (by the value embodied in them, containing the surplus value) differ from the commodities bought at the first stage of capital circuit. In the third stage of movement, capital once again enters the sphere of circulation: the capitalist sells manufactured commodities on the market, realising in money form the value and surplus value contained in these commodities. Capital changes from commodity form (C') into money form (M'). The purpose (the function) of movement at this stage is the realisation of the value. Once the capitalist receives capital in money form, he can resume its turnover; in other words, that will be resumption of capitalist circulation and production. Thus, the circuit of capital is the movement in which capital is successively transformed from one form into another and then returns to its original form:

$$M - C < \frac{Lp}{Mp} \dots P \dots C' - M'$$

Money capital, productive capital and *commodity capital* are the forms of *industrial capital*, each performing certain economic functions. For this reason they are called functional forms. Each of the three forms of industrial capital has its own circuit (turnovers of money, productive, and commodity capital). The continuity of the process of capitalist production and circulation is ensured by the fact that in its circuit capital is not only successively transformed from one form to another, but at the same time exists in all three forms. To ensure this, every capitalist divides his capital into three parts: one represents capital engaged in production, another exists as a stock of commodities ready for realisation and being realised, while the third is in the form of money capital assigned for the ongoing purchase of the means of production and labour power.

Circuit of Production Assets, movement of the value of the socialist enterprises' funds through the spheres of production and circulation, wherein it successively assumes productive, commodity and money forms:

$$M - C(Mp) \dots P^{Lp} (Mp + Mp_n) \dots C' - M'.$$

The process of value transference and the formation of new value relevant to the turnover is subjected to the interests of society as a whole and assumes the form of accounting socially indispensable spending and the expansion of the mass of products necessary for society. Compared to the circuit of capital, the new feature of the first stage of the fund turnover is the absence of any buying or selling of *labour power*. Workers are directly involved in production as joint owners of the means of production. The second stage reveals a peculiar character of a merger of labour power and the *means of production*: the personal and material factors of production are not forms of capital, the direct producers are united by comradely cooperation between equal members of the working collective, who work for themselves and for their society. The third stage results in the delivery of the product to the socialist consumer; at the same time enterprises compensate for the loss of money spent on the used means of production and for remuneration for labour, and establish the *economic incentives funds*. At every given moment *production assets* are in all the three functional forms, and turn from the money to the productive form, from the productive to the commodity form, and from the commodity back again to the monetary form. The circuit runs without interruptions if all the stages evolve into each other without delay. Society controls the movement of funds in a planned manner, and establishes the most rational correlation between their components. The continuity of stages and their uninterrupted transformation into each other call for strict fulfilment of plans in all links of the economy.

Circulating Assets, the total monetary resources of socialist enterprises invested in *turnover funds* and *circulating funds*. In the process of reproduction, certain parts of circulating assets simultaneously operate at various stages and in various forms of the circuit of funds. In production they assume the form of production reserves and work in process, while in the process of circulation they assume the form of ready products and finances. As to the formation source the circulating assets of socialist enterprises are divided into their own and loaned assets. The former are the resources which the state allots to the enterprise when it is established, and which are further replenished. The total volume (rate) of the enterprise's own circulating assets is set for the enterprise by the top-level body, and may be changed only if there are changes in the enterprise's production plan. The profit that the enterprise receives is the principal source of financing the increase of the enterprise's own circulating assets. This makes the enterprise economically interested in improving its economic activity. Alongside its profit, the enterprise, to replenish its own circulating assets, utilises what are called stable liabilities which are equated to the enterprise's own assets. In this category are: minimal arrears to industrial and office workers on their wages, payments for social security, etc. Loaned assets include bank credits. Besides its own and loaned assets the enterprise's turnover includes attracted finances. This is what is called credit arrears. The enterprise spends its loaned assets on temporary needs, and they have to be returned. Circulating assets are divided into rated and non-rated. In the first category are production reserves (raw, basic and ancillary materials, purchased semi-manufactures, fuel, packaging material, spare parts for repairs, objects of low cost and durability), work in process, ready products remaining in warehouses. In the non-rated circulating assets category are those on which no rates are set: delivered products, money means and finances on accounts. In practice, how efficiently circulating assets are used is measured by the turnover coefficient, which is

the ratio of the value of products sold over the year to the average remainder of the circulating assets. The main factor in speeding up the turnover of assets is to reduce the *time of production* and circulation. Acceleration of the turnover and the rational use of circulating assets make it possible to release funds and use them for manufacturing additional products (see *Turnover of Production Assets*).

Circulating Funds, finances of socialist enterprises functioning in the circulation sphere, as well as those of the supply, sales and trade organisations. Circulating funds make up a part of the *circulating assets* of an enterprise and include what is left from the manufactured products still at the warehouses, finished products delivered to purchasers but not yet paid for, money in the current account, on hand and on letters of credit, as well as money to be returned by debtors. Unlike *turnover funds* functioning at the production stage, circulating funds service the movement of manufactured goods to the buyer through the commodity circulation sphere. They ensure the continuity of the turnover of the assets of the economy and the planned reproduction and distribution of material wealth. The socialist *relations of production* create conditions which make it possible to concentrate the bulk of turnover assets in the sphere of production. However, there are cases when the share of circulating funds increases unjustifiably, what is left of manufactures pile up at the warehouses, manufactures take longer time to reach the purchaser, etc. This results in non-productive expenditure of money and resources, and their exclusion from the sphere of production or consumption. Socialist enterprises and society as a whole are interested in cutting down the terms of selling manufactures and speeding up the turnover of monetary documents, since this leads to a quicker circulation of turnover assets and boosts the *efficiency of social production*.

Circulation Costs, outlays for servicing the process of circulation. There are two

kinds of circulation costs: (1) net, and (2) those associated with the continuation of the production process in the sphere of circulation. In the capitalist economy, net circulation costs are the capital outlays directly related to the process of circulation, i.e. the change in the *form of value*. They principally include expenses to maintain sales clerks and commercial agents, advertising, correspondence bearing on commercial operations, and bookkeeping and accounting. Net circulation costs do not add any *value* to the commodity, and represent a deduction from the total *surplus value* produced by wage workers in production. Currently, net circulation costs comprise more than 66 per cent of all circulation costs. Circulation costs involved in the continuation of the process of production in the circulation sphere include outlays bearing on the transportation and storage of goods, their additional processing, and their parcelling and packaging. Costs of this kind do not differ economically from capitalist production costs (see *Production Costs, Capitalist*). The spontaneous character of capitalist production, periodic economic crises, and fierce struggle among capitalists for sales markets are all factors producing higher circulation costs (up to 50 per cent of the total of retail trade turnover). Circulation costs under socialism are the expenses trading organisations incur in selling commodities and bringing them to the consumer. Net costs under socialism comprise a relatively small portion of circulation costs. The bulk of circulation costs is comprised of additional outlays involved in the continuation of the process of production in the circulation sphere. As industrial packaging of commodities expands and alien functions are separated from trade (see *Socialist Trade*), the proportion of these costs will gradually decrease. At the same time, more efficient services and improvement of the trade process in general tend to increase the share of net circulation costs to some extent. Under socialism, circulation costs are planned, and are considerably lower than under capitalism. The growing effectiveness of labour, its better organisation,

the rationalisation of the entire system of commodity flows, thorough studies of public demand, the rational use of commercial and storage premises, and the elimination of non-productive outlays and trade losses are the principal avenues of reducing socialist circulation costs.

Circulation of Capital, a process of the movement of capital, in the course of which it turns from money form into commodity form, and vice versa; part of the *circuit of capital* in the sphere of circulation, on the capitalist market. In its movement, capital passes once through the stage of production (where it increases) and twice through the stage of circulation. In the first stage of circulation, the owner of the capital advances a certain sum of money for purchasing the *means of production* and *labour power* on the capitalist market. At this stage *money capital* becomes productive capital. The second circulation stage begins with the end of the production process and is in fact the process of turning the commodity form of capital into the money form. In this stage we observe the realisation of the capital value and surplus value. Capitalist production and circulation are mutually dovetailed, and one cannot function without the other. Marx pointed out: "It is therefore impossible for capital to be produced by circulation, and it is equally impossible for it to originate apart from circulation. It must have its origin in circulation and yet not in circulation" (*K. Marx, Capital*, Vol. I, p. 163). In the sphere of circulation, the capitalists purchase elements of *productive capital* (means of production and labour power) and sell marketable produce created in the production process. Capital cannot circulate without the production sphere, where labour power merges with the means of production to create value and surplus value, i.e., where capital grows of itself. The production process plays a determining role in the unity of production and circulation.

Class Struggle, the struggle between classes (see *Classes, Social*) whose interests

are incompatible or are in contradiction with each other. It is the essential feature and the motive force of the development of all antagonistic *socio-economic formations*; it resolves the basic contradiction inherent in every antagonistic mode of production. Class struggle is instrumental for the transition from the old, outdated socio-economic system to the new and more progressive system. In pre-capitalist formations, it was predominantly spontaneous. It has reached its peak of development under capitalism, when it became conscious and organised. The inevitability of class struggle under capitalism stems from the inherent contradiction between the economic situation and political status of the two basic classes of bourgeois society — the bourgeoisie and the proletariat. Only the working class, which is the most progressive and consistently revolutionary class in history, is able to abolish private property and the exploitation of man by man, and to build a communist society. The proletariat's vital interests are in line with the progressive development of society and the interests of all working people. Therefore, the struggle of the working class and of all the working people headed by it against the dominance of the bourgeoisie results not only in the abolition of the capitalist mode of production, but also creates the conditions for the ultimate disappearance of classes and class struggle. The working class creates its own trade unions and political parties. The Marxist-Leninist party plays an immensely important role in the class struggle of the proletariat, arms it with a scientific understanding of its vital class interests, and shows the ways for attaining its objectives. The proletariat's struggle against capitalism may assume three main forms: economic, political and ideological. The economic struggle is aimed at higher wages, shorter working hours, against the excessive intensification of labour, etc. While counteracting the tendency of the impoverishment of the proletariat, it helps shape the class solidarity and class consciousness of the workers, but is not enough to liberate them from the slavery of wage labour. It is the political struggle, waged primarily for attaining the

common class interests of the proletariat, that is the main and decisive form of class struggle. It is the struggle against the political domination of the bourgeoisie, for establishing the power of the working class, which is the only possible way for the proletariat to satisfy its vital economic and political interests, and to rebuild society on a socialist foundation. The struggle for power requires the consolidation of the working class not only nationally, but internationally as well, and the unity of international communist movement. The purpose of the ideological struggle is to liberate the working class from the influence of bourgeois ideology, to educate its members in the spirit of Marxism-Leninism, develop in them hostility to bourgeois ideology, *reformism* and *revisionism*. At present, when the *general crisis of capitalism* is becoming increasingly acute, the world socialist system has come into existence and the *scientific and technological revolution* is under way, the struggle of the working class against exploitation and monopoly domination, for democracy and socialism is gaining momentum, and is becoming broader and more organised, with its social base progressively expanding. There are more and more strikers in the developed capitalist countries. The class struggle at present is characterised by the closely intertwined economic and political struggle, reflected in the broadening range of socio-economic demands, including the demand for democratic nationalisation of key industries, the establishment of trade union control over the activities of enterprises, etc. Acting in union with all democratic forces, the working class is able to impose certain limitations on the monopolies' omnipotence in the economy, as well as certain political and economic reforms which can create increasingly favourable conditions for the struggle for socialism. The working class in the developing countries, as it grows and becomes more organised, consolidates its union with the working peasantry and other strata of the working people, intensifying its struggle against capitalist and other forms of exploitation, and for complete national and social liberation. The working class of the capitalist and socialist countries sup-

ports the peoples struggling for liberation. In the period of transition from capitalism to socialism the working class, once it has won political power in alliance with the labouring peasantry and other strata of the working people which it leads, wages a class struggle against the overthrown exploiter classes and the international bourgeoisie supporting them, answering the question "who will win?" in favour of socialism. The struggle is aimed at eliminating the exploiter classes, for the socialist transformation of society and the victory of socialism. Other objectives of this struggle are to consolidate the alliance of the working class with non-proletarian working people, to oppose bourgeois attempts to put ideological and political pressure on the non-proletarian working masses, to re-educate them on socialist principles and root out the survivals of the past from people's consciousness and behaviour, to establish the new socialist discipline and organisation, and to bring up the working people in the spirit of the new attitude towards labour. In the modern epoch the class struggle is waged not only within the capitalist world; it extends to the international arena as a struggle between the world capitalist and socialist systems, led in the form of economic competition, ideological struggle, etc. This does not mean, however, that this struggle should evolve into war between countries. The socialist countries consistently work to promote peaceful coexistence between states with different social systems.

Classes, Social, "large groups of people differing from each other by the place they occupy in a historically determined system of social production, by their relation (in most cases fixed and formulated in law) to the means of production, by their role in the social organisation of labour, and, consequently, by the dimensions of the share of social wealth of which they dispose and the mode of acquiring it. Classes are groups of people one of which can appropriate the labour of another owing to the different places they occupy in a definite system of social economy" (V. I. Lenin, *Collected Works*, Vol. 29, p. 421). What

basically determines the difference between classes is their relation to the *means of production*. The emergence of classes and class antagonisms was the result of the development of the *social division of labour* and the emergence of private ownership of the means of production, the division of the society into propertied and propertyless, the exploiters and the exploited. Every antagonistic *socio-economic formation* is characterised by its own class structure, its basic classes born of the dominating mode of production, such as slaves and slaveowners, serfs and landlords, workers (proletarians) and the bourgeoisie. Alongside them are the intermediate classes and social strata, whether the heritage of previous formations (such as peasants, artisans, petty traders, landlords under capitalism), or representing the newly emerging classes of the subsequent formation (the bourgeoisie and the proletariat in the epoch of feudalism). Even with all the differences between the class structures of antagonistic societies, they all have one feature in common: the exploitation of one class by another. The irreconcilably hostile interests of antagonistic classes lead to *class struggle*, which results in a change of the social system, and, consequently, of the class structure of society. The basic classes of modern capitalist society are the bourgeoisie and the working class. Based on the amount of capital possessed, the modern bourgeoisie can be divided into the monopoly, large non-monopoly and middle bourgeoisie. The monopoly bourgeoisie enjoys absolute economic and political domination. Its class interests irreconcilably clash with the interests of the entire nation, and all the people. The working class, deprived of the means of production and compelled to live by selling its labour power to the capitalists, is the oppressed and exploited class. The growth of the working class is accompanied by its better organisation and greater political activity. The working class represents the basic force of social development, reflects the interests of all the working people, all the social strata of society in the struggle against monopoly domination. Apart from these basic classes, there are peasants and landlords

in the capitalist countries. The peasantry, ruined by the monopolies, declines in number; their social and economic position makes the poorest peasants reliable allies and solid supporters of workers in the countryside. As capitalism develops, the landlords become more and more like the bourgeoisie and grow closer to it. As well as classes, there are also social strata in the developed capitalist countries, namely, the urban petty bourgeoisie (artisans, handicraftsmen, petty traders and others), the intellectuals and office workers. With the peasantry, they compose the so-called middle class, which occupies an intermediate position between the working class and the bourgeoisie. Because of their conditions of life and work office workers and intellectuals are close to the working class, as they are part of the army of wage labour. With the peasantry, they become allies of the working class. Marxism not only scientifically explained the reasons for society's division into classes, but also mapped out the ways to abolish classes and build a classless society. The major condition of the disappearance of classes is the abolition of private ownership of the means of production, and of the exploitation of man by man, as well as the consolidation of public ownership of the means of production. This historic objective can be achieved only by the working class, as it is the most revolutionary, conscious and organised class that history has ever produced, tied to the most progressive form of economy — large-scale industrial production — and led by its own political party. The experience of the Soviet Union and other socialist countries confirmed that radical transformation of classes and class relations is possible only as a result of a socialist revolution, when the working class seizes political power and establishes the dictatorship of the proletariat. The working class needs political power not only to eliminate private ownership of the means of production but also to establish public ownership of the means of production, to carry out overall socialist transformation of the economy, and to create the necessary socio-political and cultural conditions for ensuring the social homogeneity of society. The

process of building socialism leads to basic changes in the social structure: the exploiter classes are liquidated, and the two friendly classes are left, the working class and the peasantry organised in cooperatives, as well as the working intellectuals who come from these classes. The relationships between classes, as well as other social groups and strata, are then based on public ownership of the means of production, on the unity of vital interests, on shared Marxist-Leninist ideology, and on the same ultimate objective — the building of communism. Under *Developed socialism* the role of the working class as the leading force in society becomes increasingly important. As it is directly linked with the basic form of socialist property, the working class is the principal productive force, producing most of the gross national product, and is in the forefront of technical, economic and socio-political progress. In the USSR, the working class is the largest group of society, making up 61.8 per cent of the population. The scientific and technological revolution has led to certain professional, cultural and structural changes in the working class, such as higher educational and cultural standards, a greater proportion of workers with high qualifications, and more intellectual character of physical labour. The working class is active in the political life of the country, in economic management, and in the activities of Party, trade-union and Komsomol organisations. The social structure of the peasantry has also radically changed. It has become a new, socialist class and, led by the working class, is actively involved in building communist society. Socialism emancipated the working peasantry from exploitation and poverty. The content of the work peasants do has been changed significantly by scientific and technical progress, and it is gradually becoming much like industrial labour. Collective-farm democracy is being consolidated and developed, leading to greater activity in public and political life on the part of agricultural workers. Intellectuals play an important role in developed socialist society — they are the social group of working people engaged primarily in mental labour (engineers, technicians, teachers,

doctors, scientific workers). The number of intellectuals is rapidly growing due to accelerated scientific and technical progress, and the increasing role of science in all spheres of social endeavour. The alliance of the working class, collective-farm peasantry and people's intellectuals, with the working class retaining its leading role, has become the solid and unbreakable foundation of the new historical entity formed in the USSR, the Soviet people. The construction of the material and technical base of communism provides economic possibilities to eliminate social differences between the working class and the peasantry, between town and countryside, and between the people engaged in mental and physical work. In the USSR and other socialist countries, society is moving towards complete social homogeneity without any vestiges of class division. The 26th Congress of the CPSU stated that "a classless structure of society will take shape mainly within the historical framework of mature socialism" (*Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union*, p. 69).

Clearing, the system of domestic and international written transactions for commercial and other operations based on accounting mutual demands and obligations. One should distinguish between bank and currency clearing. In bank clearings, which were first used in England in the middle of the 18th century, banks effect payments between each other based only on the difference between payment sums and money receipts. The development of clearing payments and the need for constant exchanges of payment documents led to the establishment of special institutions, which did the accounting of banks' mutual demands — the so-called payment chambers. The first chamber of this kind was established in London in 1775. Bank clearings became most widespread in the epoch of *state-monopoly capitalism*, conditioned by the tremendous growth of cheque circulation. However, the periods of *economic crises of overproduction* create great problems with the system of written orders. Under socialism, bank clearing is one of

the forms of written orders between enterprises and organisations in different economic sectors. Currency clearing establishes the pattern of international written orders for foreign trade and other economic ties between two or several countries. The most widespread is bilateral clearing. Payments between two countries are made from special accounts opened by their banks of issue or other institutions established especially for the purpose. Depending on the ways of paying off outstanding accounts, currency clearing can be subdivided into two forms. When clearing is done with *inconvertible balances*, the liability is cleared by commodities, and under clearing with *convertible balances* it is paid totally or in a certain per cent by gold or *convertible currency*. Clearing as a form of international settlements is used by the socialist countries. Its main feature is that it is planned. In 1957 the CMEA member countries signed an agreement on multilateral clearing. The sum total of payments for each country for the corresponding year should equal the sum total of its receipts from other countries, in other words, the equality of balances of payments between a given country and all the other countries should be ensured. Since 1964 payments between CMEA member countries have been concluded within the framework of multilateral settlements in *transferable roubles* through the *International Bank for Economic Cooperation (IBEC)*. The comprehensive programme of socialist economic integration envisages further improvements in the system of multilateral clearing.

Collapse of the Colonial System of Imperialism, the process of liquidation of economic and political relations based on the oppression of colonial and dependent countries by the imperialist powers. The collapse of the colonial system of imperialism means the loss of a powerful reserve sustained by the capitalist system and further changes in the correlation of strength between the two social systems in favour of socialism. In the second stage of the *general crisis of capitalism*, especially after World War II, the upsurge of the national liberation move-

ment resulted in the *crisis of the colonial system of imperialism* evolving into its disintegration and complete collapse in the third stage. By the end of the 1970s more than 100 countries had won national independence. The downfall of the colonial slavery system under the charge of the national liberation movement is the phenomenon that is second in its historical significance only to the formation of the world socialist system. A solid socio-economic basis for the collapse of the colonial system was the heightening of contradictions between the oppressed peoples of the colonial and dependent countries and foreign capital. All the contradictions of the colonial system (national, socio-economic, political, and ideological) sharpened to the utmost, and the overthrow of imperialist domination became an urgent objective necessity. The peoples of these countries have launched a struggle for equality and free development without imperialist exploitation. This struggle was supported by the very existence of the world socialist system, by the direct and generous assistance of the socialist countries to the peoples struggling for liberation. An important role was played by the working-class and democratic movement in the imperialist countries. The example of and moral support from already liberated countries was also of great importance for those still oppressed. The historical experience of building socialism and assistance from the countries of the world socialist system have opened broad horizons for national renaissance, the overcoming of centuries of poverty, the achievement of economic independence, and the possibility of the *non-capitalist path of development* for the peoples of newly liberated countries. At the Fifteenth UN General Assembly Session, the Soviet Union submitted a draft declaration on the granting of independence to colonial countries and peoples. The USSR waged a consistent struggle to adopt this declaration and have it implemented. The USSR considers fraternal solidarity with the peoples who have freed themselves from colonialism one of the cornerstones of its foreign policy. The collapse of the colonial system meant the completion, at

least in its main aspects, of an important stage of the national liberation revolution which resulted in political independence for the colonial peoples. Imperialism has lost many important economic positions in the liberated countries. Much of the property of the imperialist powers and colonial administration was nationalised by the new states. Capitalist monopolies have also lost an essential chunk of their incomes. However, most of the liberated countries have not yet managed to break away from the *world capitalist economic system*. The imperialists are employing new methods to economically exploit the newly liberated countries, which have become target of *neocolonialism*.

Collective Farm, in the USSR, a cooperative organisation of peasants who have voluntarily joined together in order to manage in common large-scale socialist agricultural production based on socialised means of production and collective labour. The collective-farm system is an integral component of Soviet socialist society, the historically tested way for its gradual transition to communism, which takes into account the specific features of the peasantry and meets its interests. A collective farm, as a social form of socialist economy, completely fulfils the task of further developing the *productive forces* in the rural areas, ensures that production of the farm is managed by its members on the basis of collective-farm democracy, and makes it possible to harmonise the interests of collective farmers with those of society and all the people. Alongside state farms, collective farms are the basic producers of agricultural goods in the USSR. In accordance with the Constitution of the USSR, collective farms manage their economies on the land, which is the property of the whole people, and is allotted to the collective farm free of charge and for permanent use. Collective farms and other cooperative organisations and their associations own the means of production and other property necessary for fulfilling the purposes stipulated by the Rules. The activity of a collective farm is regulated by the Rules, which are approved by the general meeting of its members; it meets the

principles of *cost accounting*. The conscientious labour of collective farmers and the working class and of all the Soviet people during the years of Soviet power has turned the collective farms into large-scale mechanised agricultural enterprises; their *indivisible (unshared) funds* have multiplied, living standards of collective farmers have risen tremendously, and the differences in material, cultural and everyday conditions between urban and rural life are being overcome to a growing degree. The Model Rules of the collective farm, adopted by the Third All-Union Congress of the Collective Farmers in 1969 envisaged the further development and reinforcement of socialist democracy, and getting rural workers to be more interested and more involved in the management of social production. Collective farmers tackle many important problems involving land use, the replenishment of fixed assets and turnover funds, the concentration and specialisation of production, its planning, organisation of work and remuneration for it, the introduction of cost accounting, the development of agro-industrial integration (see *Integration, Agro-Industrial, under Socialism*), etc. Elected Soviets of collective farms take collective decisions on the most important questions of rural life.

Collective Farm-and-Cooperative Property, a form of social property under socialism. The Constitution of the USSR proclaims that the collective farm-and-cooperative form of property, alongside that of all the people, is the basis of the Soviet economic system. Cooperative property is the foundation of collective agricultural enterprises — *collective farms*. Cooperative property under socialism emerges on the basis of the voluntary alliance of peasants in productive cooperatives and develops under the guiding impact of *state socialist property (belonging to all the people)*. Collective farm-and-cooperative property is of the same socio-economic nature as state property; both reflect the social character of the production and appropriation of material wealth, and the relations of comradely cooperation and mutual assistance of the working people. The differen-

ces between them are those between the two forms of socialist property determined primarily by the level of socialisation. Collective farm-and-cooperative property includes the means of production and other property necessary for a farm to implement its purposes as stipulated in the Rules, as well as the produce obtained. The land occupied by collective farms is allotted to them free of charge and for permanent use. The production development and labour remuneration funds of each collective farm are formed from its profits. With the development of collective-farm production, its level of socialisation increases, and cooperative property becomes increasingly close to the property belonging to all the people. The main trend in the development of collective farm-and-cooperative property is the use of possibilities offered by collective farms as socialist enterprises. It is furthered by the measures aimed at developing the collective farms' productive forces and improving their economic mechanism, as envisaged by the decisions taken by the 23rd-26th CPSU Congresses and by plenary meetings of the CPSU Central Committee. The system of planning, material and technical services, remuneration for labour and social security on the collective farms becomes much like the conditions prevailing at state farms. The Food Programme worked out by the CPSU has mapped out a comprehensive system of measures to further strengthen the collective-farm system, improve the material and technical base of the collective farms, and attain better social and living conditions for collective farmers. The process by which the material and technical, economic and social conditions of collective and state farms are becoming increasingly alike is being accelerated by specialisation and concentration of production on the basis of inter-farm cooperation (see *Inter-Farm Enterprises, Associations and Organisations in the USSR*) and by agro-industrial integration (see *Integration, Agro-Industrial, under Socialism*). The Constitution of the USSR proclaims that the state promotes the development of collective-farm property and its drawing together with the property belonging to all the people. The

experience of the countries of the socialist community has proved the viability of Lenin's cooperative plan. In all the socialist countries, cooperative property plays an important role in the establishment and development of socialism, and in building communism.

Collective, Work, Production, the main cell of socialist society, the component of its economic, political and social system. The legal base of its organisation and activity, and its principal powers of participation in managing state and public affairs as well as enterprises, institutions and organisations are laid down in the Constitution of the USSR and the Law of the USSR "On Work Collectives and Enhancing Their Role in Managing Enterprises, Institutions and Organisations" (1983), adopted in accordance with it. A work collective is an amalgamation of all those jointly working at a state public enterprise, at an institution, in an organisation, on a collective farm or in another cooperative organisation. This activity is based on the socialist ownership of the means of production and planned development of the economy; it is implemented on the basis of comradely cooperation and mutual assistance, and ensures the unity of the state, public and personal interests. Under the guidance of the CPSU organisations and state power and management bodies, work collectives fulfill economic, political and social functions aimed at strengthening and developing the Soviet social system and the socialist mode of life, drawing the working people into managing state and public affairs, and safeguarding lawful rights and interests of workers. The duty and obligation of the work collectives include highly productive work, implementation of the Party decisions, unswerving observation of Soviet laws and government decisions, fulfilment of the state plans and contracts, boosting the effectiveness and quality of work, strengthening labour, production and state discipline, constant concern about the development of labour, social and political activity of collective members, and educating them in the spirit of moral prin-

ciples of the builders of communism. Work collectives enjoy extensive rights which are proclaimed in the Constitution of the USSR. The Law on work collectives concretises the principles laid down in Article 8 of the Constitution of the USSR on the participation by work collectives in managing enterprises (institutions and organisations). It specifies the powers of work collectives: in planning economic and social development; in safeguarding social property and rational use of material resources; in organising, rating and remunerating work; in distributing and using the economic incentives funds; in training, upgrading the qualifications and placing the workforce; in ensuring labour discipline; in improving social, cultural, housing and everyday conditions of the working people, etc. This Law also provides for the powers enjoyed by work collectives in managing enterprises, institutions and organisations. They are implemented directly by the general meetings (conferences) of collective members, and in-between the meetings — jointly by the administration and elected bodies of the Party, trade union and Komsomol organisations, and by trade union and other public organisations functioning in work collectives in accordance with their Rules and Soviet laws, as well as by the administration of enterprises, institutions and organisations in accordance with its powers or on instruction of work collectives. General meetings (conferences), convened together by the trade union committees and administration at least twice a year, discuss most important questions of the life and activities of work collectives. Questions to be discussed are suggested by the Party, trade union and Komsomol organisations, the administration, People's Control bodies, permanent production conferences, on joint initiative of the administration and public organisations, as well as on the initiative of individual members of a work collective. The decisions of the meeting (conference) of the work collective, adopted in accordance with its powers and current legislation, are binding for all members of the collective and administration. Control over the implementation of the

decisions adopted by the meeting is effected by the trade union committee and the administration, in accordance with its authority or on the instruction of the meeting (conference), which inform work collectives how these decisions are being carried out. Primary work collectives are playing an increasingly important role in the life of the country due to the vast development of the team work organisation and incentives of labour (see *Team Organisation of Labour*). The Law on work collectives empowers work collectives to examine the drafts of the laws, decisions of the local Soviets of People's Deputies concerning the interests of work collectives, questions of state, economic, and social and cultural construction suggested for discussion by the local Soviets and the bodies accountable to them, and also other questions of state and public life, and to present their own proposals on these questions. It is established that the proposals and recommendations of work collectives are taken into consideration by the state power and management bodies when adopting decisions on the activity of corresponding enterprises, institutions and organisations, and that the state power and management bodies inform work collectives about their work and decisions they have adopted, and how they are being carried out. A work collective plays a key role in the evolution of the socialist *way of life*. The CPSU and the Soviet state pay close attention to the study and broad dissemination of the experience of top-notch production collectives, to their achievements in dealing with economic and social issues, to reinforcing relations of mutual assistance and the responsibility of each for the common cause, and to ensuring that they will not tolerate violations of labour and production discipline (see *Labour Discipline*) and immorality. The responsibility of everyone to the collective and the responsibility of the collective for every worker is a feature of the socialist way of life.

Colonial System of Imperialism, the system of antagonistic relations between imperialist powers and the peoples of the

economically less developed countries enslaved by these powers. The colonial system of imperialism is a part of the *world capitalist economic system*. It evolved at the turn of the century, in the final stage of the *territorial division of the world*. It was established by violence and aggression. The largest colonial empires, those of Great Britain, France, Belgium and other countries, emerged as a result of fierce colonial wars. According to Lenin's definition of *imperialism*, three forms of colonial enslavement may be identified: the colonies, or the countries exploited by a metropolis and dependent on it politically and economically; the semi-colonies, or the countries which enjoy a formal political independence but are tied up by inequitable international treaties and are exploited in the same way as the colonies (for example, several Latin American countries); dependent countries, or the states enslaved and exploited by economic methods of monopoly capital domination. These forms of colonial oppression provided the imperialist superpowers with markets, sources of raw materials, spheres of capital investment, military-strategic strongholds and reserves for the reinforcement of their armies. The economies of the colonial and dependent countries specialised only in producing one or two crops or products (the so-called monoculture economy) required to supply the industries of the metropolises with raw materials — usually either with agricultural products or those of the extractive industry. This accounted for the rather backward character of the colonies' economy. Economic backwardness was manifested in the extremely low level of development of the productive forces, and a significant lag of the colonies and dependent countries behind the world levels. The penetration of the monopolies into the economy of these countries led to the establishment there of two economic sectors differing in specialisation and socio-economic structure. The so-called traditional sector served the domestic market and was characterised by the most primitive productive forces; the foreign sector was represented primarily by export industries and based on foreign capital

investment. This sector was characterised by much more developed productive forces, but all the surplus value extracted went to the metropolises. By exploiting the peoples of colonies and dependent countries, imperialists gained enormous profits. The persistent struggle of the peoples of the colonial and dependent countries for liberation, which began after the victory of the Great October Socialist Revolution, was crowned by the *crisis of the colonial system of imperialism*, which in the third stage of the *general crisis of capitalism* led to its collapse (see *Collapse of the Colonial System of Imperialism*).

Colony, see Colonial System of Imperialism.

Combining of Industrial Production, a form of *concentration of production* based on the cooperation between different types of production within one enterprise or a group of connected enterprises, where the products of one enterprise serve as raw materials, semi-finished items or auxiliary materials for the others. Under capitalism, the development of cooperation is restrained by private ownership of the means of production and by the struggle between competing monopolies. Under socialism the economic importance and advantages of cooperation are determined by public ownership of the means of production and planned economic management. Cooperation is based on the specialisation of socialist enterprises (see *Specialisation of Production*). The basic forms of cooperation are as follows: cooperation based on the comprehensive utilisation of raw materials; cooperation based on the combination of successive stages of raw material processing; cooperation based on the comprehensive utilisation of waste or of raw materials, semi-finished products and energy. All these forms are in fact intermeshed. Cooperation between related enterprises is one of the necessary conditions of technical progress and the rational organisation of social labour; through the economical and rational utilisation of raw materials, semi-finished items, waste and energy a significant

economic effect is produced. It ensures continuous technological processes and a dramatic reduction of the duration of the production cycle, thus resulting in a marked growth of *labour productivity* and lower *cost of product (cost price)*. Cooperation creates the best conditions for rationally utilising the country's natural resources and for an even location of industry. In the USSR, industrial cooperation is most widespread in metallurgy and in the chemical, textile, timber and paper industries. The process of cooperation facilitates industrial management, makes it more rational and helps create the *material and technical base of communism*.

Commodity, product of labour, intended for exchange through buying and selling. Products of labour began to be manufactured as commodities when the *social division of labour* appeared, with the presence of independent, isolated producers (various owners of the means of production) in the period of the decay of the primitive communal system and emergence of slave relations. It was, first of all, craftsmen and free peasants who were goods producers. The bulk of the material boons in pre-capitalist formations were not, however, commodities, but were created in subsistence economies as items for direct consumption, bypassing *exchange* (1). It was under capitalism, when *commodity production* became universal and dominant, that not only all products of man's labour became commodities, but also his *labour power*. Commodity is a historical category. Its socio-economic essence changes depending on the type of the *relations of production* dominant in society. In *simple commodity production*, the commodity is the product of the labour of a small-scale commodity producer and is created to satisfy his own requirements. Under capitalism, commodities are produced by wage workers but are appropriated by capitalists. They are manufactured to bring profit and *surplus value* to the capitalist and make him rich. Under capitalism, the commodity is the simplest cell of capitalist economy, containing the

seeds of all the specifics and contradictions of this economy. In the socialist economy, the commodity is the product of directly socialised labour; it is manufactured in a planned way by socialist enterprises for the satisfaction of the social requirements and is channelled into consumption through planned commodity exchange. The commodity possesses two properties: *use value* and *value*. Its dual character is conditioned by the duality of the labour embodied in the commodity. *Use value* is created by *concrete labour*, *value* — by *abstract labour*.

Commodity Capital, one of the functional forms of *industrial capital*. It is embodied in definite mass of goods manufactured in capitalist enterprises and intended for sale. As for its *value*, commodity capital consists of initially advanced value and *surplus value*, created in the *production* process as a result of the exploitation of *labour power*. The function of commodity capital comes down to the realisation of capital value and surplus value. Thanks to it, advanced capital value and surplus value created in production turn from their commodity into their money form. The circuit of commodity capital presupposes productive and individual consumption and is a constant prerequisite for production and reproduction. Owing to specialisation, commodity capital is isolated and functions in the form of *merchant's capital*.

Commodity Circulation, the exchange of *commodities* with the help of *money* (according to the formula $C-M-C$). In commodity circulation *exchange (I)* falls into two independent acts: sale ($C-M$) and purchase ($M-C$). Not only *value* moves, expressed in the change of its form, but in most cases there also moves *use value*: storage, transportation, packing, etc. The implementation of these functions is a continuation of production in the sphere of circulation, causing a rise in the value of the goods sold. Under the *modes of production* preceding socialism, commodity circulation is spontaneous. Separation of sale and purchase, while violating

the continuity of exchange, contains in itself the abstract possibility of *economic crises of overproduction*. Commodity circulation arose long ago under the slavery and feudal systems. *Merchant's capital* historically preceded industrial capital. By that time merchants, i. e., trade middlemen, had already appeared, and trade had separated out as a special branch of the national economy. Under capitalism, not only surplus value created in the sphere of material production is realised, but also surplus value created in the circulation sphere. Commodity circulation under socialism is planned and has nothing to do with exploitation. It has different socio-economic and economic-organisational forms, owing to the existence of various types of socialist property. There is commodity circulation within the public sector, which is implemented without a change of owner; there are also various kinds of commodity circulation that do involve a change of owner. In the USSR, the latter include: commodity circulation between state and collective farm-and-cooperative enterprises; between one collective farm and another; between them and consumer cooperatives; between collective farms and collective farmers, on the one hand, acting as sellers, and the population (mainly urban), on the other, acting as buyers on collective-farm markets; between state trading enterprises selling consumer goods and consumer cooperatives, and the population. As for its economic and organisational forms, commodity circulation is subdivided into *material and technical supply*, the purchase of farm produce and trade in consumer goods (see *Socialist Trade*).

Commodity Fetishism, the materialisation of production relations between people under the conditions of *commodity production*, based on private ownership of the *means of production*. Its essence lies in the fact that the spontaneity of the social relations dominating people, outwardly acts as the domination of certain things over them. Commodity fetishism has objective and subjective aspects. The social links between private commodity producers

manifest themselves only on the market in the process of the *exchange (I)* of the goods they own. On the scale of society as a whole, these links develop spontaneously. Relations between commodity producers take thus the form of relations between the products of man's labour. This specific form of social relations is objectively conditioned by the fact that, under commodity production based on private ownership, the products of labour are products of individual kinds of work, independent of one another, whereas, between private commodity producers, there exists a close interrelationship and interdependence based on the *social division of labour*. The labour of each commodity producer constitutes part of aggregate social labour, but this social character of their labour becomes evident only on the market, where the commodity producer learns whether his commodity is needed and hence whether society requires his labour. In order to be socially recognised, each commodity must be equated to some other commodity, such as gold, and be exchanged for it in a definite proportion. Subjectively, commodity producers accept such materialisation of the *relations of production* as a mysterious ability of one thing, not dependent on them, to be exchanged for others in specific quantitative ratios. This ability seems to be a natural quality of a commodity, like weight or other physical properties. The products of man's labour are presented as being independent things, endowed with a life of their own and entering into definite relations with people and with one another. In fact, "a commodity is ... a mysterious thing, simply because in it the social character of men's labour appears to them as an objective character stamped upon the product of that labour; because the relation of the producers to the sum total of their own labour is presented to them as a social relation, existing not between themselves, but between the products of their labour" (K. Marx, *Capital*, Vol. I, p. 77). *Money, capital* are the highest product of the development of commodity exchange so commodity fetishism is embodied most fully in money, capital, in the power gold has over people. The impression is created

that it is not the development of commodity production and exchange, or that of social relations between people which leads to a certain commodity — gold — becoming money, but vice versa, that all commodities are exchanged for gold and use it to express their values only because in its very nature it is money. Bourgeois political economy, trying to depart from analysis of capitalism's inherent contradictions, studies only the external aspect of economic processes and does not see the social relations between people behind the relations between things. Only Marxist-Leninist political economy, which reveals the relations of production between people, provides a genuine scientific analysis of all categories of commodity and capitalist production. The economic basis of the existence of commodity fetishism is eliminated when private ownership of the means of production is eliminated and when social ownership of the means of production and the socialist, planned economy are established.

Commodity Output, received as a result of the production activities of an enterprise, sold or ready for sale. The given indicator is used in industry, agriculture and construction. In the USSR, commodity output of an industrial enterprise includes: the value of finished goods manufactured in the given period by the main, ancillary, subsidiary and auxiliary workshops, excluding articles consumed by the enterprise itself for its own production needs; the value of semi-finished products sold to certain purchasers; the value of industrial work carried out according to an order from some client. Goods manufactured from the raw and other materials of the client are included in the commodity output not at their full cost, but minus the cost of the client's raw and other materials for which the manufacturing enterprise did not pay. The cost of assembly work done by the workers of the manufacturing enterprise in the client's enterprise is included in the commodity output only when this work is a continuation of the technological process and the article, because of its technological conditions, has to be delivered to the client after assembly

and testing. Commodity output can be determined on the basis of *gross output*. In this case, it will be equal to gross output minus the value of remaining semi-finished products and unfinished work, and the value of the processed raw and other materials belonging to the client and not paid for by the manufacturing plant. The total volume of commodity output manufactured by the *production association* is determined as the value of the products, manufactured by all production units, which are intended for sale both outside the association and to independent enterprises forming part of the association, as well as the value of products manufactured for sale by independent enterprises subordinated to the association. Its volume does not include the value of products intended for the industrial and production needs of other production units belonging to the same association. Farm commodity output is a part of the gross produce sold by every farming enterprise. This output is set in both physical and value terms. The indicator of building commodity output is being introduced in order to improve planning and make the economic mechanism more effective in increasing the efficiency of production and quality of work in the building industry. It is an estimate of building and assembly work in terms of enterprises handed over to clients, stages, and complexes to be commissioned, units ready to start manufacturing output or render services. When determining building commodity output account is taken of the full value of the work in terms of completed enterprises (stages and work complexes) in the volume actually fulfilled. The value of building commodity output is used to assess the results of the production activities of building and assembly organisations and is coordinated with the final product of the building industry. The general volume of building commodity output and that to be carried out by enterprises on their own are approved in the plans for building ministries and organisations. This indicator controls the fulfilment of plan targets.

Commodity Production, output of products for *exchange* (1) through sale and pur-

chase. It exists owing to the *social division of labour*. In the commodity economy, goods (*commodities*) are produced by independent, isolated manufacturers. Commodity production appears in the period of the disintegration of the primitive communal system and establishment of slave-owning relations, exists under feudalism and capitalism, and remains during the *period of transition from capitalism to socialism*. The social content and role of commodity production and the limits of its operation in society are determined by the prevailing method of uniting the worker with the *means of production*. There are two main types of commodity production based on private ownership of the means of production — simple and capitalist. *Simple commodity production* is based on private ownership of the means of production by petty commodity producers and their personal labour, while capitalist commodity production is based on private ownership by capitalists and exploitation of wage labour. Under simple commodity production, it is only the products of human labour that serve as the goods, while under capitalism man's *labour power* also becomes a commodity. This is why commodity production under capitalism becomes universal and dominant. Simple commodity production involves individual small-scale production units, since the means of production are scattered between individual owners. Capitalist commodity production is large in scale, because all the means of production are concentrated in the hands of capitalists and it is based on machinery. In the simple commodity economy, the manufactured output belongs to the producer and production itself is conducted to satisfy the producer's personal needs. Products made by wage workers belong to the capitalist, while production itself is effected for the sake of making him rich and for obtaining *surplus value*. Simple commodity production as an economic system exists in pre-socialist formations and also in the period of transition from capitalism to socialism. Its share is especially great in today's developing countries. Craftsmen and peasants are the

typical representatives of simple commodity production. Capitalist commodity production and the simple commodity economy are basically of one type, both being based on private ownership of the means of production and the social division of labour, and economic ties between people implemented through the sale and purchase of products of labour (commodities). In both simple and capitalist commodity production, production, exchange and distribution are spontaneous and anarchic processes leading to the ruin of the mass of commodity producers. Under capitalism, simple commodity production undergoes changes. In pre-capitalist formations, petty commodity producers were fully independent and usually produced directly for the market, whereas under capitalism their main consumers are capitalist enterprises. In the period of transition from capitalism to socialism, the simple commodity economy is transformed by way of cooperating peasants. Lenin profoundly and comprehensively analysed the question of the specific ways the petty commodity economy is transformed along the socialist lines. Spontaneous commodity production, such as the capitalist one, is eliminated together with it. Socialist production cannot be a system or a variety of commodity production, because socialism means direct social production, regulated not by the spontaneous market but by society, in a planned way. But commodities are manufactured under socialism, too. The material prerequisite of commodity production — the social division of labour — is retained here. Commodity relations under socialism are rooted in the specifics of the relations of public, socialist ownership and the nature of labour. Socialist ownership of the means of production takes two forms — state property (belonging to the whole people) and collective farm-and-cooperative property. The exchange between society and agricultural cooperatives takes, therefore, the form of an exchange of commodities. Under socialism, there are considerable differences in labour because labour for society has not yet become a prime necessity and requires material incentives. Inputs of *socially necessary labour*

are calculated in the value form. Commodity relations are also necessary in economic relations with other countries, because different owners operate here. The manufacture of goods in socialist countries, based on socialist ownership of the means of production, is implemented in a planned way for the satisfaction of social requirements and comprehensive development of every member of society. The sphere of commodity relations under socialism is limited: labour power, factories, plants, trade, banks and other enterprises are not objects of purchase and sale. Commodity relations under socialism constitute a special form of planned, direct-social links. They will die away at the highest stage of the communist mode of production.

Communist Labour, the labour of free and fully conscious workers, scientifically organised and equipped with the most advanced technical facilities, and ensuring the highest productivity; labour as the prime inner need of man. Lenin wrote that "communist labour in the narrower and stricter sense of the term is labour performed gratis for the benefit of society ... voluntary labour, irrespective of quotas ... labour performed ... without reward as a condition, labour performed because it has become a habit to work for the common good, and because of a conscious realisation (that has become a habit) of the necessity of working for the common good — labour as the requirement of a healthy organism" (V. I. Lenin, *Collected Works*, Vol. 30, p. 517). In the highest stage of communist formation, under full communism the directly social character of labour will reach its highest level of maturity. The socio-economic differences between those engaged in mental and physical labour will completely disappear, as will the need for material incentives. In communist society, labour will be characterised by creative endeavour, attractiveness, and the free self-expression of the individual's intellect. Communist labour reveals people's abilities and talents most completely, and produces the material and organisational conditions ensuring high labour productivity and

abundant material and cultural wealth in accordance with the reasonable needs of comprehensively developed workers. The emergence of communist labour is based on the comprehensive development of the features inherent in socialist labour and is reflected, in particular, in the 1977 Constitution of the USSR. Whereas the 1936 Constitution of the USSR proclaimed the right to work, this right has now been supplemented by the right to a choice of profession, occupation and work in accordance with one's vocation, abilities, professional training and education, with consideration also of society's needs. The transition to communist labour presupposes that several vital problems have been solved, including the elimination of socio-economic differences between physical and mental labour, between urban and rural life, higher cultural, technical and ideological standards enjoyed by the working people; and the gradual transformation of labour into the prime inner need of all. This is to be achieved through the creation of the *material and technical base of communism*, the formation of communist *relations of production*, and the education of the members of society in the spirit of communism. To create the material base for bringing physical and mental labour together, it is necessary to introduce into production the latest achievements of scientific and technical progress that will lead to the elimination of arduous and relatively unproductive labour, and enrich work with new creativity. Comprehensively mechanised and automated production requires that the worker be familiar with the scientific foundations of machinery, technology, economics and the organisation of production, and be able to apply all this knowledge so that his labour is highly productive and effective and of high quality. With the complex mechanisation and automation of production, man's role will increasingly amount to the operation and adjustment of complicated machines and instruments, the compilation of technological programmes and processes, improving production organisation and technology — i. e., to the functions of control and management.

Production of this kind demands a new type of worker, who harmoniously combines physical and mental labour and who is able to help improve machinery and technology, as well as to continue accumulating knowledge and experience in his chosen field. In communist society, where the abilities of everyone will be employed to benefit society to the greatest possible extent, labour will become not only the means of earning one's livelihood, but a natural manifestation of the functions of a healthy organism. In this process, an important role is played by moral labour incentives (see *Material and Moral Incentives*) and the strengthening of communist consciousness and labour discipline. The new, communist attitude towards labour is formed already in the first stage of communism, in the socialist stage, and is manifested in mass *socialist emulation*, which acquires increasingly varied forms, in the movement for a communist attitude to labour, in the extensive development of inventors' and innovators' activities, etc. The stage in which socialism develops on its own base — the stage of mature, developed socialist society — makes it possible to employ all the advantages of socialist labour, and to create the conditions for its evolution into communist labour. We can see the realisation of what was foreseen by the founding fathers of Marxism-Leninism: that the changes in all facets of social life will be accompanied by the "organisation of production in which, on the one hand, no individual can throw on the shoulders of others his share in productive labour, this natural condition of human existence; and in which, on the other hand, productive labour, instead of being a means of subjugating men, will become a means of their emancipation, by offering each individual the opportunity to develop all his faculties, physical and mental, in all directions and exercise them to the full — in which, therefore, productive labour will become a pleasure instead of being a burden" (F. Engels, *Anti-Dühring*, p. 357).

Communist Mode of Production. The Programme of the CPSU provides the fol-

lowing definition of the essence of communism as a socio-economic formation: "Communism is a classless social system with one form of public ownership of the means of production and full social equality of all members of society; under it, the all-round development of people will be accompanied by the growth of the productive forces through continuous progress in science and technology; all the springs of co-operative wealth will flow more abundantly, and the great principle 'From each according to his ability, to each according to his needs' will be implemented. Communism is a highly organised society of free, socially conscious working people in which public self-government will be established, a society in which labour for the good of society will become the prime vital requirement of everyone, a necessity recognised by one and all, and the ability of each person will be employed to the greatest benefit of the people" (*The Road to Communism*, p. 509). The communist mode of production represents the productive forces and relations of production inherent in this formation in their unity. Its development takes place in the process of building socialism and communism as the initial and highest stages respectively of communist society. The common feature of the socialist and communist stages of production is fundamentally the fact that they are based on public ownership of the means of production (see *Ownership*). At both these stages, production is aimed at achieving the complete well-being and all-round development of every member of society. Direct producers work for themselves and for society; labour is free from exploitation. The principle of the universality of labour is proclaimed and realised. Relations between people are based on collectivity, comradely cooperation and mutual assistance between equal and free members of society. Public ownership of the means of production underlies a qualitatively new stage of socialisation of production, and gives it a directly social character (see *Direct Social Production*). Because of this fact, the development of production proceeds in a

planned way, on the basis of scientific forecasting (see *Law of Planned, Balanced Development of the Economy*). As well as common features, the socialist and communist stages of production have several significant particularities. The relatively lower maturity of production at the stage of socialism stems from the fact that socialism comes into being not on its own, adequate socio-economic base, but emerges from the depth of the capitalist system and retains the "birth-marks" of this system. Communism develops on its own base, and is therefore the highest stage of production maturity. Socialism creates conditions for an enormous production growth. But this growth does not by itself ensure the quantity of consumer goods sufficient for satisfying the many requirements of the comprehensively developed members of society. This objective is attained by creating the *material and technical base of communism*. Public ownership of the means of production under socialism assumes two forms: *state socialist property (belonging to all the people)* and *collective farm-and-cooperative property*; accordingly, there are two kinds of socialist enterprises. Following the triumph of communism, universal communist ownership of all the people of the means of production, and a universal communist type of enterprise will be established. Under socialism, labour has not yet become the prime inner requirement of all members of society; under communism, all members of society will feel an inner urge to work for the good of all the people, and labour for society will become the prime vital need of the people (see *Communist Labour*). Communist property of all the people is the foundation of the highest form of planned organisation of production, based on the highest stage of development of directly social labour. The commodity forms of production links that play a significant role under socialism will disappear from the historical scene once full communism is attained. In the first phase of communism, society distributes material goods in accordance with the quantity and quality of work expended by the worker in social production. The

second phase of communism will be characterised by the transition to the principle "From each according to his ability, to each according to his needs". During the evolution of socialist relations of production into communist, the vestiges of class differences will also be totally eliminated. Socialism eliminates the contradiction between urban and rural life, between mental and physical labour. However, significant socio-economic distinctions between them still exist (see *Essential Distinctions Between Mental and Physical Labour; Essential Distinctions Between Town and Country under Socialism*). Under communism these differences will be eliminated. In terms of the level of productive forces, of the character of labour, and cultural and living standards, rural life will catch up with urban. This will be accompanied by a change in the appearance of cities. The building of communism will naturally merge mental and physical labour in the people's production activities. Other social relations, as well as the ideological and political superstructure, will also undergo significant changes; the socio-economic differences between members of society will entirely disappear; the unity of social, collective and personal interests will lead to totally harmonious relations between the individual and society. The development of socialist statehood will gradually result in its transformation into communist social self-government. The differences between the socialist and communist stages of production are quite significant. But this is no reason to consider them as special, independent or relatively independent modes of production. The transition from socialism to communism is based on the development of the productive forces and the gradual evolution of socialist production relations into communist. Reaching the stage of *developed socialism* implies the creation of the objective conditions for the broad building of communism.

Competition, antagonistic struggle between private commodity producers for the most profitable terms of production and

sales of commodities; under capitalism it is the struggle between capitalists or their associations for the highest profits. Competition is invariably connected with anarchy and the spontaneous character of private commodity production, and reflects its economic law. Competition acts as an external compulsory force, which compels private commodity producers to raise labour productivity at their enterprises, expand production, increase savings, etc. It leads to the gradual replacement of small production facilities by large ones, the stratification of small commodity producers, the overwhelming majority of whom go bankrupt and thus become proletarians and semi-proletarians, whereas an insignificant minority grow richer and become capitalists. Competition goes hand in hand with the concentration and centralisation of production and capital, and the growing might of big and superbig business. In the epoch of pre-monopoly capitalism, what existed was predominantly free competition of isolated and comparatively small enterprises which produced commodities for an unknown market. The most popular forms of competition during that period were *inter-industry competition* and *intra-industry competition*. Free competition resulted in such a huge concentration of production and capital that the largest capitalist associations began playing the key role in the economic activities of bourgeois society. Free enterprise was replaced by monopoly (see *Monopolies, Capitalist*). However, monopolies do not put an end to competition and the anarchy of capitalist production. The forms of competitive struggle under monopoly capitalism become increasingly varied, and its methods are most cruel and predatory, which produces utterly destructive consequences. Alongside the continuing competition between small and medium-sized businesses, a fierce competitive struggle is waged between monopolies operating in the same industry, between monopolies in related industries, inside monopolies themselves, and between monopolies and non-monopoly enterprises. Monopolies strive to stifle their competitors, and use all the means available to do so — from

modest payments of "compensation" to organised industrial espionage and subversion at competitive enterprises. The entire world capitalist economy becomes the stage for competition, as the international monopolies and imperialist powers fight a bitter battle for markets and sources of raw materials, for the spheres of capital investment, for the redivision of the world. The struggle for world supremacy impels the most aggressive imperialists to unleash aggressive wars. Bourgeois sociologists claim that competition is the most important condition for developing the productive forces and technological progress, and for fostering enterprise and initiative of participants in production. However, in reality, competition under monopoly capitalism means the suppression of this very spirit of enterprise, of energy and initiative of the people. The abolition of private ownership of the means of production and the consolidation of public socialist ownership leads to the replacement of competition by socialist emulation, which embodies the relations of comradely co-operation and mutual assistance between all participants in socialist production.

Complex Labour, the labour of a person who has a specific training, skilled labour. Compared with *simple labour*, complex labour produces greater value per unit of time, thus acting as simple labour multiplied or raised to a power. Although commodity may be the product of highly complex labour, it is equalised to a product of simple labour since it has value, thus representing so much of that same simple labour materialised. Where labour produces commodities, all commodities are sold as products of simple labour, that is, complex labour is reduced to simple labour, which is a measure of social labour expended. Under private ownership of the means of production, the correlation of commodities produced by complex or simple labour is established randomly by the market. In a socialist society, the reduction of labour is planned. As *scientific and technical progress* is gaining momentum, both the complexity of labour and the share of complex labour in

overall labour consumption are growing. Comprehensive *mechanisation of production* and *automation of production* require a highly skilled work force. Coming more and more compellingly to the forefront is not merely working skills, but technical knowledge, the ability to maintain fault-free functioning and the further streamlining of production. Skill is becoming increasingly important for the growth of the *national income*. This confronts socialist society with a whole series of tasks in educational planning and economics, and in organising effective basic and skill improvement training for the work force. In a communist society, most people will be engaged in the sphere of complex labour: the assembly and adjustment of automated machine-tools, and later, the supervision of self-adjusting systems.

Comprehensive Programme for Economic Cooperation, see *Long-Term Special Cooperation Programmes; Integration, Economic Socialist; Division of Labour. Socialist International*.

Comprehensive Programme for Scientific and Technical Progress of the USSR, the concrete form of substantiation of the USSR's long-term scientific and technological policy. In accordance with the resolution of the CPSU Central Committee and the USSR Council of Ministers "On the Improvement of Planning and Increasing the Impact of Economic Machinery on the Effectiveness of Production and the Quality of Work", adopted in 1979, the Comprehensive Programme for Scientific and Technological Progress is now an integral part of *long-term planning*. It will be drawn up every five years for the subsequent 20 years (with special division into five-year periods) and presented to the USSR Council of Ministers and the USSR State Planning Committee two years before the beginning of each new five-year period; its primary architects are the USSR Academy of Sciences, the USSR State Committee for Science and Technology, and the USSR State Committee for Construction, along with Union republican and branch academies of sci-

ences, research institutes, design and construction organisations, ministries and departments. Among the tasks of the Comprehensive Programme for STP are forecasts of the principal currents of *scientific and technical progress* and their impact on socio-economic processes; substantiation of priorities for individual areas of development of science and technology, the rates for the introduction of scientific and technological achievements in different sectors of the economy, and the distribution of production resources between the lines of scientific and technological progress; evaluation of the effects of a break-through in production technology on its structure and effectiveness; substantiation of the directions of improvements in the *economic mechanism* and organisational structure of the economy, ensuring the practical implementation of scientific, technological and economic innovations envisaged by the Comprehensive Programme; the working out of priority measures for the given five-year plan encouraging the implementation of long-term scientific and technological policy. Overall, the aim of the Comprehensive Programme for STP is to substantiate those currents of scientific and technological development which help to successfully deal with key socio-economic problems. The Comprehensive Programme for STP is worked out for individual sectors embracing large realms and branches of the economy such as the fuel and power industries, engineering, metallurgy, construction, computer technology and management facilities, the *agro-industrial complex*, education, health protection, utilisation of natural resources, nature conservation, etc. This is accompanied by calculations and substantiations making it possible to evaluate the specific and general economic results and social consequences of scientific and technological progress, such as break-throughs in the production structure, in the indicators of *labour productivity*, *economic efficiency of capital investment*, *material intensity* of production, and in living standards. The Comprehensive Programme is based on scientific and technological forecasting

related to certain technological processes, the methods of producing specific goods and services (steelmaking, power transmission, construction plastics, air passengers transportation, etc.). Each technological process and corresponding system of labour implements has its own set of technical characteristics (speed and the freight capacity of air transport, rapid operation and memorising ability of a computer, etc.). Technological progress can be judged primarily by improvements in the corresponding technical characteristics. Within the given realm of technology, the improvement may be evolutionary or qualitative, implying a transition to fundamentally different technical solutions. If the latter case holds true, what is usually involved is a transition to a new generation of machines or implements of labour (such as changes in steelmaking technology based on the direct furnaceless reduction of metal). A forecast of technical characteristics, as well as of chances of their evolutionary or qualitative growth, is a key axis of scientific forecasting. The latest forecasts are taken as a basis to prognosticate the corresponding technical and economic indicators characterising the material and labour inputs per unit of output or useful effect. A systems approach to scientific and technical forecasts and their coordination makes it possible to determine the probable succession and scale of innovations in different economic sectors, the basic directions of technically restructuring the economy, and the social and economic results of introducing scientific and technical achievements. The Comprehensive Programme validates the measures which ensure the best possible and most effective utilisation of scientific and technical achievements in the economy. Among these measures are recommendations on structural policy, i. e., on the distribution and redistribution of human, material and financial resources with the major currents of scientific and technological progress; proposals on the dynamics and structure of the country's scientific and educational perspectives, i. e. on expenditures for the development of science and education and on the structure of these expendi-

tures; on the creation of economic, organisational and other essential conditions for accelerating scientific and technological progress in the chosen directions. The Comprehensive Programme, together with the incorporated measures, is drawn up for a long-term period. The practical implementation of a far-reaching scientific and technical policy requires that it be progressively realised from one five-year term to another. This continuity is ensured by coordination of the priority measures, envisaged for the subsequent five-year term, with the long-range objectives and priorities. These measures must take into consideration, as fully as possible, the realities of the economic life and, at the same time, be oriented toward long-term objectives. The first draft of the Comprehensive Programme for Scientific and Technological Progress was developed for the period running to 1990-2000.

Comprehensive Target Programmes, systems of social, production, organisational, scientific and research measures drawn up following consideration of available resources and aimed at planned implementation, with a definite objective of social development in mind. They form an integral part of the long-term state economic and social development plans under *developed socialism*. The necessity of broadly using comprehensive programmes in management is determined by the acceleration of scientific and technical progress and the increasingly close links between different sectors and economic regions, as well as by the emergence of large inter-sectoral and *territorial-production complexes*, the formation and development of the country's economy as an *integral national economic complex*; and by the increasingly complicated interdependence of production and social problems. Comprehensive programmes are developed via a programme-target approach (see *Programme-Target Method*), and the subordination of the measures envisaged to the objective of meeting certain social requirements by accumulating material, labour, and financial resources in the most important realms of social and economic develop-

ment. Comprehensive programmes make it possible to improve the social and economic orientation of planning and management, to take fuller account of the consequences of decisions, to improve inter-sectoral links with due account of the requirements posed by the development of society as a whole, to overcome restrictions stemming objectively from the sectoral and departmental planning and management, to use the reserves in order to achieve priority goals and to ensure rapid solutions of the problems posed, and to ensure a correct balance between resources and use them more effectively. The Soviet Union's Food Programme is a fundamentally new stage in the system of planning and management of the socialist economy, as well as the embodiment of a target-oriented and complex approach to dealing with the food problem. For the first time ever, the agro-industrial complex has been singled out as an independent realm of planning and management, thus allowing more effective coordination of territorial, sectoral, and programme-target planning. The *Comprehensive Programme for Scientific and Technical Progress of the USSR* is worked out for a 20-year period and becomes the backbone of corresponding long-range plans for the country's economic and social development. In the Soviet Union, the largest comprehensive target programmes are the Food and Energy programmes, the programmes for the development of virgin and fallow lands, for the development of agriculture in the Non-Black-Earth Zone of the Russian Federation, for the construction of the Baikal-Amur-Railway (BAM), the programmes for economical use of fuel and metal, for reducing the use of manual labour, for the extended production of new consumer items, for the development of several territorial-production complexes, for co-operation between the CMEA member countries, etc. In dealing with the most important social and economic problems, these programmes stipulate targets for the production of specific items, contain measures to establish the material basis of the manufacturing sector and intensify it and to develop the infrastructure, to step up

a complex tapping of natural resources and to protect environment. These programmes occupy an important place in the system of measures to improve planning techniques, and give the *economic mechanism* a greater role in raising production efficiency and ensuring higher quality of work.

Concentration of Capital, expansion of capital through the accumulation and capitalisation of *surplus value*. The concentration of capital is determined primarily by its owners' drive to continuously increase the originally advanced value used for exploiting the proletariat. In its insatiable crave for appropriation of the unpaid labour of wage workers the bourgeoisie systematically turns a part of surplus value into additional capital, thereby intensifying the exploitation of wage labour. The concentration of capital allows the more efficient functioning of capitalist production by utilising advanced machinery and technology, as well as by improving the methods of exploiting the workers. The ongoing concentration of capital is also a consequence of fierce capitalist *competition*, during which bigger enterprises with modern technology and better organisation of production gain the upper hand. The concentration of capital is the economic foundation of the *concentration of production*, i. e., the expansion of huge enterprises which acquire an increasingly important role. The growing concentration of production, in turn, stimulates the concentration of capital and multiplies its sources. The concentration of capital and of production reached a high degree of development at the turn of this century, and objectively was a necessary condition for the emergence of monopolies (see *Monopolies, Capitalist*) and the transition to *imperialism*, the highest stage of capitalism. Within the framework of the capitalist monopolies the concentration of capital has grown enormously, which, on the one hand, has increased the economic power of the monopoly bourgeoisie, and on the other, has stimulated the process of socialisation of production, which is the material condition of the transition to socialism.

Concentration of Production, accumulation of an increasingly large proportion of the means of production, labour force and industrial production within large enterprises. To determine the level of concentration, certain indicators can be used, such as the share of enterprises differing in size in the volume of their industrial production (the principal indicator); the number of workers; the value of the enterprise's fixed assets; the power capacity; and power consumption. Under capitalism the concentration of production occurs during fierce competition between capitalists for profits. With the high concentration of the means of production and the labour force, capitalists are able to significantly reduce production costs, utilise new technology on a more extensive scale, organise mass production, and intensify the degree of exploitation of the working class. The concentration of production is greatly influenced by the *concentration of capital* and the *centralisation of capital*, which leads to the accumulation of capital which is enough to make it possible to undertake a large-scale production. The concentration of production, in turn, accelerates the concentration and centralisation of capital. Big enterprises are more competitive, enjoy certain advantages compared to small enterprises, so they squeeze them out and swallow them in a fierce competitive struggle. According to Lenin, at a certain stage of development the concentration of production results in the formation of monopolies (see *Monopolies, Capitalist*). Concentration of production is the most important factor in turning capitalism of free enterprise into monopoly capitalism. With the transition to *imperialism*, the concentration of production takes place even more rapidly, which is a consequence of acute sharpening of the competitive struggle under monopoly domination. *Combining of industrial production* is an important form of production concentration. Capitalist concentration of production is characterised by unevenness. In most sectors of the economy medium-sized, and even small enterprises exist alongside big enterprises; in some sectors of heavy

industries (transport engineering, iron-and-steel and non-ferrous metals industries, power machine building, etc.) the most prevalent are very big enterprises employing over a thousand of workers. At the same time in sectors like leather, shoe-making, clothing and food industries, medium-sized enterprises prevail. Scientific and technical progress combined with developed specialisation leads to highly mechanised and concentrated production at medium-sized enterprises. Increased concentration of production results in the acute sharpening of the contradictions of capitalism, first of all that between the social character of production and the private form of appropriation. Concentration of production is very important for creating the material and subjective conditions of a socialist revolution, as it leads to the socialisation of production and to a higher level of organisation and solidarity of the working class. Concentration of socialist production is based on the public ownership of the means of production, which determines its advantages over capitalist concentration: no wasteful competitive struggle, a planned nature, utilisation of the advantages of large-scale production in the interests of society as a whole, etc. Concentration of socialist production encourages greater effectiveness, and provides for high rates of economic development. Large enterprises have tremendous possibilities for introducing new technology, for rationally organising production and labour, for better using fixed and turnover assets, and for achieving higher labour productivity and lower prime cost of product. In all the socialist countries the concentration of production is growing rapidly. One specific catalyst is socialist economic integration, which helps determine the best possible sizes of an enterprise depending on the needs not only of one country, but of all the members of the socialist community. An important direction in the concentration of socialist production is the combining of industrial production. The higher level of concentration of socialist production is achieved by increasing the size of operating

enterprises and by creating industrial associations, and in agriculture — by inter-farm cooperation and agro-industrial integration.

Concern, a widespread form of monopoly associations. It contains several formally independent enterprises. The parent company establishes its financial control over these enterprises by wielding the *controlling block of shares*. It enjoys the real power within the association. The purpose is to ensure high monopoly profits via the use of financial ties, patent and licence agreements, agreements on common interests, *personal unions*, etc. At the initial stage of imperialism's development the concern united enterprises in one sector of industry (so-called horizontal combining), whereas today it is mostly based on the principle of *diversification*, i. e., one concern is comprised of companies engaged in different sectors of the economy (industry, transport, commerce, banking, insurance and other companies). This is the way they strengthen their positions and gain new markets. A minority of concerns operate on the principle of consolidating the firms bound by a common technological process, from the extraction of raw materials and to sales of the finished product through a marketing network (so-called vertical combining). A concern is headed by a Board of Directors, which usually includes owners of the largest blocks of shares. This board makes the fundamental decisions for the concern's activities and is responsible for the control and general management of its operations. The daily management of a concern is carried out by a managerial council subordinated to the Board. A feature of modern concerns is their active struggle not only for the domestic market, but also for external markets by selling their products abroad and investing in their foreign branches (subsidiaries) and local firms of other countries. International concerns which emerged after the war are waging an acute competitive struggle, making advantageous use of the large-scale combined production, new technology, patents, and by producing new kinds of products. Bourgeois economists

present the activities of concerns as an example of economic efficiency and technical progress under capitalism. In fact, however, small groups of monopolists and top-level managers use technical progress only to enrich themselves.

Concession, an agreement under which a country gives a foreign company or individual the right to exercise some kind of economic activity on its soil, such as extraction of minerals, the construction and operation of enterprises, etc. A concession granted by a government to an alien (or a foreign private firm) is regulated by that country's legislation. The country may terminate the operations of a concession any time. Capitalist monopolies and the bourgeois state use concessions as a tool to exploit the peoples of newly liberated countries and a means of furthering the policy of neocolonialism. In the period of transition from capitalism to socialism, the Soviet state provided concessions on a limited scale in order to rebuild its economy, which had been devastated by the foreign intervention and Civil War. In 1923-24 the share of state capitalism in the form of concessions and leases accounted for slightly more than 3 per cent of the country's gross industrial output. The socialist countries' experience in attracting state capitalism to help build socialism has been adapted by developing countries to establish their national economies.

Concrete Labour, labour spent in a certain useful form, which produces the *use value* of a commodity. Different kinds of concrete labour vary with the means of production used (implements and objects of labour), with the character of the labour operations, and with the purposes and results. Concrete labour exists in all modes of production. "So far therefore as labour is a creator of use-value, is useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature-imposed necessity, without which there can be no material exchanges between man and Nature, and therefore no

life" (Karl Marx, *Capital*, Vol. I, p. 50). The development of the *social division of labour* results in the alienation of increasingly new and qualitatively different kinds of labour creating qualitatively different use values. In commodity production, concrete labour forms a dialectical unity with *abstract labour*. In a commodity economy based on private property, concrete labour is *private labour*, its social character being reflected through abstract labour. Therefore, the contradiction between concrete and abstract labour reflects the antagonistic contradiction between private and social labour (see *Direct Social Production*), which under capitalism is translated into the contradiction between the social character of production and private capitalist appropriation (see *Basic Contradiction of Capitalism*). In socialist society, concrete labour is not private labour, as no private labour exists under the dominance of social property. Because of the existence of commodity-money relations in socialist society, society's need for concrete labour is reaffirmed not only directly, in the process of the production of material goods, but also during the planned realisation of output. The contradictions between concrete and abstract labour under socialism are non-antagonistic and are a particular feature of directly social labour; society resolves these contradictions in a planned way, by developing socialist production and improving the system of commodity realisation.

Conglomerate, a form of monopoly which exercises financial control over companies operating in different branches of industry with no technological links to each other. Conglomerates form and develop as a result of *diversification*. Conglomerates became widespread in the leading capitalist countries in the late 1950s and 1960s. They present a peculiar form of centralisation of monopoly capital in a period of deepening crises in various industries and of scientific and technological revolution. The largest conglomerates are to be found in the USA. Lower profits in the traditional industries, the emergence of new and very lu-

crative businesses, and the possibility of reaping superprofits from certain kinds of non-productive activities, such as research, design and consultation services, as well as the provision of everyday services, make monopolies disperse their new investments in different sectors. The largest engineering, chemical, automobile and electrical engineering concerns have long ceased limiting themselves to expansion in their own or related fields, while investing in off-shore mineral explorations, the processing of agricultural products, publishing, insurance, retail trade and the motion picture industry. Unlike the monopoly combines, when the monopolies' expansion occurred in the realms technologically allied to the basic line of production, or in those servicing it, the rise and growth of conglomerates embodies the complete alienation of financial interests and those of reaping higher profits, from the interests of production. By investing in different branches, today's monopolies try to reduce the risk of possible profit losses and to obtain superprofits in the new branches of production and services. Capital investments in new industries acquire the forms of building new enterprises or buying those already in operation. These deals are often speculative, aggravate inter- and intrasectoral *competition*, result in excess production capacities, and increase the *anarchy of production*.

Constant Capital, a component of capital existing in the form of the means of production (buildings, structures, equipment, fuel, raw and other materials), which does not change its value in the process of production. The division of capital into constant and *variable capital*, first established by Marx, was an important condition for a scientific analysis of the essence of capitalist exploitation. It made it possible to establish that only that part of capital which is spent to purchase *labour power*, i.e., *variable capital*, is the source of *surplus value* and of augmenting *capital*. The value of constant capital remains unchanged in the process of production, and is transferred to the newly created commodity through the worker's labour.

Constant capital is not the source of surplus value, but a condition of its production and appropriation by the capitalist. Different components of constant capital transfer their value to the newly created commodities in different ways. Buildings, equipment and machines participate in production during many production cycles over several years and transfer their value to the commodities bit by bit. By the nature of their turnover, they form *fixed capital*. Another component of constant capital — raw and other materials and fuel — is completely consumed in the process of production of a commodity during one period of production, and transfers its entire value to the newly created product, forming, along with variable capital, *current capital*.

Consumer Credit, under capitalism, a special form of credit granted by the capitalists to the people for purchasing articles of personal consumption or paying for everyday services. In the capitalist countries consumer credit is provided by commercial establishments as deferred payment, as well as by banks and other financial institutions. It may be short- or medium-term, and primarily embraces consumer durables, such as cars, refrigerators, TV sets, etc. The growing number of commodities sold on the instalment plan is explained by the fact that the working people's effective demand lags behind development of capitalist production, which leads to chronic difficulties in selling products. Today more than 20 per cent of commodities are sold on credit terms in the USA, 19 per cent in France, and nearly 16 per cent in the FRG. Credit recipients pay the bank a 14-16 per cent annual rate of interest, and sometimes more. When purchasing goods on the instalment plan, workers pay large amounts for them, since they also have to pay interest for credit. This means that in the USA, for example, goods sold on the instalment basis cost 10-20 per cent more than goods sold for cash. If the buyer fails to pay the instalments, under the terms of the credit contract the bank acquires the right of ownership of the

thing sold on credit. The purchasing of goods on credit does not expand effective demand, but only postpones the time of payment. During economic recessions and crises and growing unemployment, credit indebtedness aggravates the hardships of the unemployed. In the socialist countries, consumer credit is of a fundamentally different social nature. Its objective is the fuller satisfaction of the working people's requirements for durables. Credit is extended by state and cooperative trade organisations. In the USSR, credits are usually granted for the period of six months to two years, with an initial down payment of 20-25 per cent of the price of the item purchased. The interest paid for the use of credit amounts to one to two per cent. It is thus not higher than the interest rate payable by the savings banks on personal deposits. Credit is therefore advantageous to the people. The fact that there is no unemployment and no social obstacles to the expansion of effective demand in the socialist countries guarantees full and timely payments by those granted credits.

Consumer Goods, component of the *aggregate social product* used in the sphere of non-productive consumption for personal and collective needs.

Consumption, utilisation of the material benefits created in the process of production, a key sphere of economic relations, one phase of the process of *reproduction*. The social product is created by people in order to meet their requirements, so that all production ultimately serves consumption. This expresses the close link between the two phases of reproduction: production appears as a means of consumption, and the latter in turn serves as the purpose of production. There are two types of consumption: productive consumption, i. e., the utilisation of machines, instruments, fuel, raw and other materials and other *means of production* in the process of production, and personal consumption, i. e., people's use of various material benefits (food, clothing, footwear, cultural, sports and

household goods, etc.) for satisfying personal requirements. Productive consumption is included in the direct process of production, while personal consumption lies outside its sphere. While it is dependent on production (the quantity and quality of output, growth rates, etc.), consumption also affects *production*. Production and consumption are linked via *distribution and exchange* (1). The character of consumption and the correlation between production and consumption are determined by the action of the objective *economic laws* and by the kind of *ownership* of the means of production. Capitalist production is directly geared to the creation of *surplus value* and serves consumption to the extent to which it embodies the surplus value created and defines conditions for its production on a growing scale. Under capitalism, therefore, there is an antagonistic contradiction between production and consumption: consumption lags behind production, especially during *economic crises of overproduction*, when huge quantities of products are unsold, perish and are destroyed, since working people are unable to purchase them. With public ownership of the means of production, the socio-economic aim of production is to satisfy the requirements of all members of society as fully as possible. The contradiction between the people's growing requirements and the level of production achieved in socialist society is resolved through the dynamic and balanced development of social production and increasing its effectiveness, as well as through accelerating *scientific and technical progress* and improvement of the *quality of work* throughout the economy. This leads to a steady growth of the working people's personal consumption and the fuller satisfaction of their requirements (see *Basic Economic Law of Socialism*).

Consumption Fund, part of the *national income* used for satisfying the material and cultural requirements of the members of society. The other part of the national income forms the *accumulation fund*. Under capitalism, the consumption fund is divided into that of the bourgeoisie and

that of the working people. In socialist society, the consumption fund is formed in a planned way as a single national fund, and is used for ensuring the growing well-being and free and comprehensive development of all members of socialist society. Their individual and social requirements are satisfied through the consumption fund. In the Soviet Union, the consumption fund comprises over three quarters of the national income. The consumption fund comes from the following sources: the *necessary product* and part of society's *surplus product*. When distributed, the consumption fund falls into two categories: the fund for paying wages to workers in material production (workers, engineers, technicians, collective farmers), and the *social consumption funds*. On the whole, the consumption fund includes the personal consumption of the country's entire population, and the material expenses of the establishments providing services to the population, as well as of scientific institutes and the management. The main part of the consumption fund is distributed in accordance with the quantity and quality of work which every worker contributes to social production. Another part of the consumption fund (the *social consumption funds* minus that portion of them which pays the wages of workers in non-material production) is distributed among the working people free or at a discount, and is used by Soviet society to tackle ambitious social and economic problems in the vital interests of all working people. In the USSR, the consumption fund is distributed and used to deal with the important social and economic task of bringing the *living standards* in town and country in harmony, and evening out living conditions in the constituent republics. The consumption fund is the groundwork for increasing the real incomes of the members of socialist society, and of raising their material and cultural standards.

Controlling Block of Shares, a certain number of shares which ensures its owner complete control and domination of a *joint-stock company*. The election of the

Board of Directors and all the most important decisions concerning the economic activities of a joint-stock company are made at a shareholders' general meeting by voting. The number of votes each shareholder is entitled to is determined by the number of shares with voting rights he possesses. So to control a joint-stock company, one formally needs to possess more than 50 per cent of the total shares. However, small shareholders normally do not attend general meetings, while part of medium shareholders are dependent on bigger holders, and sign over the voting rights of their shares to them. The result is that in order to control a joint-stock company, the big financial magnates need as a rule from 15 to 20, and in some cases only 5 to 10 per cent of the total number of shares. Under imperialism a controlling interest is a form of the growing domination of the *financial oligarchy*.

Cooperation of Labour, a form of organising social labour, when a significant number of people join together in the same labour process, or in different but related processes. The form of organising collective labour in which all the workers manually perform uniform operations is called simple cooperation. The development of cooperation is based on the division of labour (see *Social Division of Labour*) and the extensive utilisation of machinery. Cooperation of labour is far more advantageous than small and fragmented economic ventures. It brings about new productive force of labour, which is the collective form of labour, and makes it possible to use working time and the means of production more effectively and sparingly. Cooperation of labour makes possible extensive construction and a large volume of operations in a relatively short time. Every social system has its own inherent social form of cooperation of labour which corresponds to the level of the development attained by the *productive forces and relations of production*. The *primitive communal mode of production* was characterised by simple cooperation of labour based on collective ownership of the means

of production. Under the *slave-owning mode of production* and the *feudal mode of production*, cooperative labour of exploited workers was forcibly imposed by open coercion, and the fruits of this labour were appropriated by the exploiter classes. Cooperation of labour under capitalism is based on the exploitation of wage workers, and is used to increase *surplus value*. Capitalist cooperation of labour has gone through three stages of development: from *simple capitalist cooperation* to the *factory* and then to the *capitalist factory*, which represents the most developed form of cooperation of wage labour in the period of domination of machine industry. A new and higher stage in the development of collective labour arrives with the triumph of socialism, from whence springs the socialist cooperation of labour, i. e., planned cooperation of workers free from exploitation. Cooperation of labour under socialism is not limited by the scale of the enterprises, but covers the economy as a whole, thus greatly enhancing the social productive force of labour. With the development of socialist society, cooperation becomes increasingly mature, cooperative labour becomes more advantageous, industrial and scientific and production associations are established (see *Production Association*), and *specialisation of production* develops, and intersectoral cooperation and agro-industrial integration become also widespread (see *Integration, Agro-Industrial, under Socialism*). Cooperation of labour under socialism is characterised by new *labour discipline*. The creative endeavours of those involved in the joint, cooperative labour find their expression in *socialist emulation*.

Cooperation of Production, a form of productive links existing among specialised production enterprises, which together participate in manufacturing a certain product while retaining at the same time their economic independence. Cooperative production is advantageous because in combination with the specialisation of enterprises (see *Specialisation of Production*), it makes easier the more rational utilisation of their

productive capacities, technical progress, higher *labour productivity*, and greater *efficiency of social production*. The socialist economic system opens vast possibilities for cooperation among specialised enterprises. Specialisation and cooperation are one of the key conditions of technical progress and the rational organisation of social labour. Cooperation is determined by the development of enterprise specialisation. At the same time, a higher level of specialisation of production presupposes cooperation between enterprises on the broadest possible scale. Cooperation and the specialisation of enterprises encourage the introduction of complex *mechanisation of production* and *automation of production*, which makes stringent demands on workers' skills and the training of the engineers, technicians and managers. The specific forms of cooperation of enterprises depend on the peculiarities of the given industry. Cooperation may be intra-regional and inter-regional. In the first instance, production links between the enterprises are confined to an area of a single economic region. In the second, they embrace several economic regions. Intra-regional cooperation reduces unpractical shippings and delivery schedules, lowers production costs and leads to the complex development of economic regions. Cooperation may also occur in a single sector of industry (sectoral) or in many sectors (inter-sectoral). Choosing a specific form of cooperation should be made primarily by judging the ensuing economic effect (see *Efficiency of Social Production*). Within the *world socialist economic system* cooperation of production is a progressive form of the international socialist division of labour. Cooperation links enable a high degree of concentration of uniform production in one or several countries to be achieved in order to meet the demands of all the other countries, and the technical equipment and organisation and quality of production are improved. Cooperation of production results in more effective economic cooperation, more rapid technical progress and the quicker economic integration of socialist countries (see *Integration*).

tion, Economic Socialist; Coordination of the National Economic Plans of Socialist Countries).

Coordination of the National Economic Plans of Socialist Countries, the activities of socialist countries to coordinate foreign economic sections of their national economic plans, aimed at utilising in the best way possible the political and economic advantages of the *world socialist economic system* through the planned extension of international socialist division of labour (see *Division of Labour, Socialist International*). Cooperation in planning, especially plan coordination, is a basic method of organising cooperation and extending the international socialist division of labour. The coordination of economic plans furthers the implementation of the coordinated economic policy of the communist and workers' parties based on a profound analysis of the resources and demands posed by the development of their socialist economies. It makes it possible to speed up their economic development rates, to provide the possibility of better manoeuvring their economic resources, and to produce more economically at less cost. Plans are coordinated on both a bilateral and multilateral basis within the framework of the *Council for Mutual Economic Assistance*, especially questions too great for one or two countries to deal with, and which require the joint efforts of several or all the CMEA countries. Based on the experience of the joint activities of the countries belonging to this international economic organisation, coordination embraces primarily the industries which most greatly rely on foreign trade exchanges and international specialisation and cooperation in their development; it also involves the scientific and technological research of mutual interest to several of these countries, and the transport network servicing foreign trade. The development of economic cooperation of the countries belonging to the Council for Mutual Economic Assistance created the possibility of jointly dealing with several important economic tasks, among them the fuel and

power balance, and questions of extending specialisation and cooperation of production. At the same time, the coordination of economic plans does not restrain the economic initiatives of the individual countries; on the contrary, it encourages it, for it enables the better and more complete use of all productive capacities to further the economic growth of every socialist country, as well as to accelerate the development of the world socialist community as a whole. One of the most important features of the coordination of the socialist countries' economic plans at the present stage is the elaboration of a five-year coordinated plan of multilateral integration measures. Coordination of five-year plans is supplemented by a number of other forms of jointly planned activities, which constitute an integral planning mechanism of the CMEA countries' integration. The most notable among them are the *long-term special cooperation programmes*. Coordination of national economic plans has become not only the most regular, but also the most complex form of joint planned activities.

Corporation, the name for joint-stock companies widely used in the USA. The term is usually associated with capitalist trusts. But not all corporations can be classed as monopolies. Thus, in the USA there were 1,665,000 registered corporations in 1970, but only several thousand of them were in an economic position sufficient to categorise them as monopolies. Of these the 500 biggest industrial corporations totally dominated things: in 1970 their total assets amounted to 432,100 million dollars.

Cost Accounting (*Economic Calculus, Khozraschet*), an economic category of socialism, a system of relations between society as a whole and its economic units (enterprises, amalgamations), between economic units themselves, as well as within them, concerning the socially necessary expenditure of labour and distribution of the net profit of an enterprise. These relations express the unity of interests of the work collectives and

of society (see *Economic Interests*), ensure the planned organisation of the economy through commodity-money relations, make enterprises materially interested in fulfilling state plans, and stimulate the growth of production and socialist accumulation with minimum labour outlays. Cost-accounting relations express the objective need to ensure maximum efficiency of the process of reproduction at the enterprise level in close unity with social reproduction. Cost-accounting relations are manifested in the socially regulated self-financing of enterprises as they fulfil plans and sell products. Enterprises use the money received from selling their items to cover expenditures on raw and other materials, to replace the *fixed production assets* used, to remunerate their employees, etc., and obtain excess of returns over outlays, i. e., profit. How great this profit is is determined by total *prices* of the products sold. Enterprises functioning in the circulation sphere receive as profit part of the *value* created in material production and in the circulation processes which serve as the continuation of production. On the whole, the size of the profit depends on the value of the actually manufactured and sold products. Much of the *surplus product* is concentrated in the centralised social funds. Cost-accounting enterprises do not receive the entire value of products they manufacture because part of this goes directly to the state. This procedure of receiving finances ensures the replacement of the outlays in accordance with the socially necessary rates of expenditure of raw and other materials and working time, and is oriented to the social rates of outlays. As these decline, prerequisites are created for the planned lowering of prices. Selling products at value encourages enterprises to cut outlays, to be economical with direct and materialised labour, to increase labour productivity, to introduce new machinery and new forms of labour organisation, and to combat losses in the production and circulation processes. *Intraplant calculus* plays a big role in the system of cost-accounting relations. In essence, it is a comparison of outlays for

a given volume of work with planned rates, and material encouragement of workers for the economised finances. Lenin emphasised that millions can be brought to communism "not directly relying on enthusiasm, but aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentive and business principles" (V. I. Lenin, *Collected Works*, Vol. 33, p. 58). Socialist cost accounting differs in principle from capitalist commercial accounting, based on the exploitation of labour and whose aim is to make maximum profit for the capitalists with minimum capital outlays. The purpose of cost accounting is to ensure a steady growth of social production, and on this basis to comprehensively satisfy the people's growing material and cultural requirements. The socialist state organises cost accounting, legislatively recording cost-accounting relations in legal and administrative acts and using them in the planned management of the activity of enterprises. Thus, cost accounting is a method of conducting the socialist economy in a planned manner. The main organisational principles of cost accounting are: (1) *autonomy of the socialist enterprise, managerial and operational*; (2) *material incentive and responsibility*; (3) *monetary control*. Enterprises operate on the basis of current and long-term plans (see *Current Planning; Long-Term Planning*). Cost-accounting relations are connected with the system of indices of the activity of enterprises, which involve production collectives in the aggregate organised labour, appraise their activity, first of all on the basis of the effectiveness and quality of their work, and combine their interests with the interests of society as a whole. Ultimate results here are of special significance. "State enterprises organise their work on the basis of rates set by central bodies, pay for it, spend the *economic incentives funds*, deal with questions of material and technical supply, keep finances, etc. Enterprises are legal persons (have bank accounts, are vested with the right to receive credits, conclude economic agreements, draw up an account budget). The material interest of en-

terprises in the results of their economic activity is realised through self-repayment and reimbursement of expenses through their own incomes. The income from sales is the source for reimbursing the enterprise's expenses, bringing in profit and forming economic incentive funds. For industrial enterprises, the extent of these funds is dependent on the fulfilment of the plan of delivery of listed products in accordance with concluded agreements (orders), on raising *labour productivity*, on improving the *quality of output* and on securing higher profits (in certain branches — lowering production costs). The cost-accounting enterprise is fully responsible to society for fulfilling planned assignments and economic agreements, for product quality, for the rational use of resources, for carrying out financial obligations to the state and for observing the law. There are different forms of financial control of cost-accounting enterprises. By establishing the dependence between expenses and profits of an enterprise, society controls the outlays of labour and production resources, the fulfilment of the plan in volume and range of manufactured goods, the raising of labour productivity, improvement of quality, etc. Enterprises also carry out reciprocal financial control, based on the fulfilment of economic agreements in the quality, range and nomenclature of goods and other conditions. Financial and credit bodies make sure that enterprises are well stocked, use materials properly and fulfil their obligations to the financial-credit system in time. At the stage of *developed socialism*, the role of cost accounting increases. The main aspects of improving economic planning and management directly related to cost accounting are: the consolidation of democratic centralism in economic management, the raising of the scientific level of planning, the orientation of planned activity toward ultimate national economic results (see *Final Results of Production Activity*); the better use of economic stimuli and levers: profit, prices and bonuses; and the improvement of the organisational structure of management. The principles of cost accounting are used not

only at enterprises, but also at higher-level production units. Today all-Union (republican) *industrial associations* and also branch ministries operate on a cost-accounting basis. The Soviet state has worked out and is implementing extensive measures to introduce genuine cost accounting in agriculture: purchasing prices are being raised, many collective farms are financed by the state and their considerable debt on State Bank loans has been cancelled.

Cost-Accounting Unit, an economic cell of socialist social production. Planned socialist production is made up of various structural units performing certain production functions. A production enterprise (amalgamation, combine) is a basic structural unit. Centralised planned management of the entire economy and of its individual economic units, which have certain material interests and are economically independent, is the most important condition for the normal functioning of the socialist economy. The nature of socialism preconditions the material incentive of individual workers and work collectives which are looking for the best ways of fulfilling society's planned targets. Enterprises produce different commodities, and their relations with society take the form of commodity relations which involve state-provided means of production, socially necessary expenditures, use value, the value of the items, and the use of products for reproduction. This system of economic relations finds its expression in the *cost accounting*. The results of the enterprise's economic activity depend on the work of its units: main and auxiliary workshops, sections, teams and services. The relations between the production units and the enterprise as a whole, which materially stimulate the thriftiness of direct and materialised labour, comprise the essence of *intra-plant calculus*. The cost-accounting mode of work of a production team becomes more and more important (see *Team Organisation of Labour*). The system makes every team member more responsible for fulfilling production plan assignments and more interested in the results

of the work of the entire collective. The efficiency of enterprises largely depends on the activity of the economic units coordinating them. In the USSR, all-Union (republican) *industrial associations* operate in the economic branches on the basis of the cost-accounting system. They are vested with broad economic rights and duties, have extensive latitude in their work, and use economic levers both within the framework of the amalgamation and in their relations with suppliers and consumers within the framework of the single state plan. Branch ministries also operate on cost accounting; the whole branch (ministry) works on the cost-accounting basis and makes all its expenditures from the earnings received by the branch and the profits which the state leaves at the ministry's disposal. A limited number of indicators — the volume of *realised output* within the range set by the economic plan, growth of *labour productivity*, fulfilment of the obligations to the *state budget of the USSR* — have been established for the cost-accounting branch units. The economic independence of various ministries is growing together with economic responsibility for their decisions concerning the activity of production and industrial associations. The transfer of industrial associations and branch ministries to cost accounting ensures that the enterprises, associations and ministries have common interests and increases the *efficiency of social production*. A system of indicators approved by the ministries in the annual and five-year plans has been worked out for the 11th Five-Year Plan period. This will add the force of a directive to the plan assignments and ensure their fulfilment. A *united science and technology development fund of the USSR* has been established in the ministries and departments and centralised economic incentive funds organised.

Cost of Product (Cost Price), the monetary equivalent of production costs, current expenditures of socialist enterprises for the production and marketing of the product. The cost of product involves

expenditures for the *means of production* including wages and preparation expenses (R&D, the search for natural resources, etc.), as well as some components of the *net income of society*, including outlays for social insurance, etc. Since society undertakes to cover much of the *labour power reproduction* expenditures from the *social consumption funds*, the cost of the *necessary product* is present in the cost of product only in the amount corresponding to wages, and to remuneration for the labour of collective farm workers. Thus, the cost of product, while reflecting relations between society as a whole and its economic links, comprises some elements which have the nature of a surplus product, and, on the other hand, it excludes certain elements of social expenditure. Two types of cost of product can be distinguished: the individual cost of product (the cost of product of the enterprise) and the industry average cost. According to the economic nature of expenditure within an enterprise, the cost of product proper, which includes the expenditures for production, is distinguished from the commercial (full) cost of product comprising the expenditures for the manufacture and sale as well as the administrative and management expenses of high-level organisations. The movement of the cost of product depends on the evolution of *wholesale prices* and wage rates. Therefore, it may not directly follow the movement of the *production costs of socialist enterprises*. A systematic lowering of the cost of product is an important factor in raising the *profitability* of production, and increasing *socialist accumulation* and the volume of production, while consuming the same amount of production resources. The industry average cost is the basis for setting wholesale prices; therefore, its reduction affects the level of those prices, as well as retail prices. Since the cost of product incorporates most social production costs, its reduction directly produces a higher *efficiency of social production*. Cost reduction is influenced by major factors in improving the effectiveness of production such as the saving of raw and other materials, fuel and power, the better

utilisation of fixed production assets and labour resources. The principal cost reduction methods are: increasing *labour productivity* (which reduces the cost of labour per product unit); the intensified use of productive capacities (reduces depreciation expenditures per product unit); economical use of material resources; reducing management and maintenance costs; and improving *quality of output* (which cuts down operational expenditures for the user-enterprises). The cost of product is a major aggregated indicator of enterprise performance, covering the level of production control and organisation, the utilisation of technological advances, and *labour discipline*, as well as the effectiveness of measures to cut down waste, etc. Wherever economically feasible, ministries and departments assign enterprises the task of reducing the cost of product among other centralised indices.

Costs of Socialist Enterprises, totality of the material resources (fuel, raw and other materials, equipment, etc.) expended and *necessary labour* expressed in money form and showing how much it costs an enterprise to produce and sell its commodities. The costs of the production and circulation of commodities are distributed among industrial and trade enterprises. Practically speaking, the activity of industrial enterprises also includes sales operations. Apart from these, trade enterprises carry out functions continuing the process of production. The costs of industrial enterprises therefore include part of the costs involved in circulation, while trade enterprises incur part of the costs involved in manufacturing commodities. Bringing products to the consumer presupposes their transportation, storage, packaging and other operations. Outlays on these operations are a continuation of the process of production in the sphere of circulation, and form additional costs of production. Outlays on operations involved in the change in the *form of value* and conditioned by the existence of commodity-money relations constitute the net costs of circulation. Costs of socialist

enterprises differ in principle from capitalist production costs (see *Production Costs, Capitalist*), which express the capital expenditures for the means of production and the purchasing of labour power. Capitalist production costs are lowered through the exploitation of the workers, with the objective of obtaining as much profit as possible. Production costs are formed spontaneously, as a result of the fierce competitive struggle between capitalists and the ruination of small and medium entrepreneurs. Costs of socialist enterprises express the socialist production relations between the individual economic links and society as a whole. They stem from the manufacture of products necessary for satisfying the requirements of all society, and bringing them to the consumers. The lowering of these costs results in the extended scale of the *surplus product*, which belongs to all members of society and is wholly used in their interests. Costs of socialist enterprises are formed in a planned way through the state establishing rates for the expenditure of labour and material resources. Under commodity-money relations, costs of socialist enterprises take the form of the *cost of product* and the costs of commercial enterprises, that of *circulation costs*. The planned reduction of costs lowers the expenditure of social labour on the production and circulation of products, and helps lower the prime cost of product and increase the *profitability* of socialist enterprises.

Council for Mutual Economic Assistance (CMEA), an international economic organisation of the community of socialist countries based on economic relations of a new type, on principles of fraternal cooperation and socialist internationalism, and on complete equality and comradely mutual assistance of all member countries. CMEA was created in 1949. It now includes the following member countries: Bulgaria, Cuba, Czechoslovakia, the GDR, Hungary, Mongolia, Poland, Romania, the USSR, and Vietnam. Yugoslavia has participated in CMEA on issues of mutual interest since 1964. Representatives from

the Democratic People's Republic of Korea, Laos, Angola, and Ethiopia take part as observers in some CMEA bodies. CMEA is an open organisation. Finland, Iraq and Mexico cooperate with it on the basis of relevant agreements. The formation of CMEA helped deepen the international socialist division of labour (see *Division of Labour, Socialist International*) and further economic cooperation among the socialist countries. In accordance with the CMEA Charter, the chief purpose of this organisation is to facilitate, through a united and coordinated efforts, the planned and balanced development of national economies, the acceleration of the economic and technical progress, the attainment of a higher level of industrialisation by countries with less developed industry, the steady growth of labour productivity, and the steady improvement of the well-being of the peoples of the member countries. The Council Session is CMEA's highest organ; the Executive Committee of CMEA, consisting of deputy heads of government of the CMEA members, is its chief executive body. The elaboration of measures and drafting of recommendations on economic, scientific and technical cooperation in various sectors or in specific problems is done by the committees and standing commissions, on which sit representatives from each member country. The standing commissions appoint working groups and other auxiliary bodies. The Committee for Cooperative Planning, and the Committee for Scientific and Technical Cooperation were formed in 1971, while 1974 saw the formation of the Committee on Cooperation in Material and Technical Supplies. CMEA's executive administration, the Secretariat, is located in Moscow. The socialist countries have established the *International Bank for Economic Cooperation* and the *International Investment Bank*. The principle of sovereign equality guaranteed to all CMEA member countries is observed by their equal representation on the Council; by the adoption of recommendations and decisions by all interested parties; by their equal rights and obligations with regard to the Council

and among themselves. CMEA is making great efforts to establish and advance close ties among the fraternal countries; to develop in every possible way forms of economic cooperation among socialist states: joint planning activity, cooperation and specialisation in production, cooperation in science and technology, joint construction and exploitation of industrial and transport facilities, commercial exchanges, international accounting, etc. In the beginning, CMEA concentrated most of its efforts on the development of trade among the socialist countries. More recently, the *coordination of the national economic plans of socialist countries* has come into the focus. A great deal of work is being done by CMEA in preparing recommendations on the further expansion of international specialisation and cooperation in production, on the study of scientific and technological problems of common interest, on assistance in the working out and realisation by CMEA members of joint measures in the development of industry, agriculture, transport, and on the most effective utilisation of the capital investments allocated by the Council members for the development of industry and the construction of key facilities, and on the exchange of scientific and technological expertise, of advanced production experience, etc. The Comprehensive Programme for the Further Extension and Improvement of Cooperation and the Development of Socialist Economic Integration by the CMEA Member Countries adopted in 1971 and projected over a 15-20 year period was an important new milestone in these countries' advance. This programme covers cooperation among the socialist countries in production, science, technology and foreign trade, and involves the "joint development of natural resources for common benefit, joint construction of large industrial complexes to meet the needs of all the partners, and cooperation between our countries' enterprises and whole industries planned for many years ahead" (*Documents and Resolutions. XXVth Congress of the CPSU*, p. 12). Currently, the countries of the socialist community

united in CMEA represent the world's most dynamic economic force, and a motivating factor in world politics. Between 1970 and 1980 the economic growth rates of the CMEA countries doubled that of the developed capitalist countries. The socialist community countries remain the most dynamically developing group of countries in the world. The economic potential of the CMEA member countries surpasses those of the USA and the West European countries belonging to the European Economic Community. While expanding economic, scientific and technical cooperation among themselves, as well as with developing and capitalist countries, the CMEA countries are active internationally seeking to strengthen peace and consolidate the positions of world socialism, and supporting peoples fighting for social progress.

Counter (Upwardly Adjusted) Plan, in the USSR, a plan for economic and social development elaborated by the collective of a production association (enterprise) and approved by a higher organisation containing higher targets than those originally assigned for the same period in the five-year plan. It represents a generalised expression of individual and collective counter plans and socialist commitments undertaken by workers in all shops, sectors, teams and other departments. The main purpose of counter plans is to overfulfil five-year plan assignments for a given year. Work collectives assiduously look for and make full use of internal reserves in their bid to achieve the best possible results in their productive activities, and to attain the objectives earlier, and with less expenditure of resources, than stipulated in the five-year plan. The elaboration and approval of counter plans is important for increasing the effectiveness of *socialist emulation* between work collectives, production associations and enterprises, their departments and individual production sectors. They help to better utilise labour power, production capacities, and raw and other materials. Counter plans are compiled with regard to the range of commodities satis-

fying consumer requirements, and also with regard to indicators characterising the *efficiency of social production* and *quality of output* (increasing the share of quality produce in the entire volume of output, raising *labour productivity*, economising on the material resources, lowering the cost of production, increasing profit, profitability and output-asset ratio). If the counter plans exceeding the five-year plan assignments for a current year are approved and fulfilled, what is deducted and transferred to the economic incentives funds thanks to higher profits is larger than usual; if not fulfilled, the deduction is lower than normal. Therefore, workers at the enterprises and associations which fulfil their commitments receive larger bonuses.

Credit System, the entire web of credit relations and the credit institutions servicing them in a certain country. A credit system under capitalism is a nexus of credit relations between the loaning and investing capitalists, based on the exploitation of workers and involving the circulation of loan capital. The basic forms of credit relations in the capitalist credit system are commercial and bank credit (see *Credit under Capitalism*). The capitalist credit system includes different credit institutions which mobilise temporarily free monetary capital and profits and turn them into loan capital. The main links of the capitalist credit system are *banks of issue*, commercial, mortgage and other kinds of banks. The capitalist credit system also includes insurance monopolies, finance associations, investment companies, savings banks, pawnshops, etc. In the epoch of *imperialism* the capitalist credit system merges with industrial monopolies. Under *state-monopoly capitalism*, the characteristic features of the credit system are: extensive utilisation of credit resources by the imperialist state for military purposes, the purchasing of part of bank shares by the state, and the capitalist nationalisation of some banks. Developing countries which have chosen economic independence and democratic change have established national credit systems of their own, consisting predominantly of the state and partially of cooperative credit in-

stitutions. The credit system under socialism is a complex of planned credit relations, based on public ownership of the means of production, and of the institutions servicing them. Credit relations help to form and utilise the state loanable fund, which is distributed on the basis of credit plans in the form of direct bank crediting. A credit system helps mobilise the temporarily free monetary funds of enterprises, of the socialist country's state budget and of the general public in order to provide credit for the needs of expanded reproduction (see *Reproduction, Socialist*), in the interests of building communism and raising the people's well-being. The socialist credit system functions through a credit mechanism which is a complex of forms and methods of crediting, credit levers and credit incentives for the socialist economy. The credit mechanism is an integral part of socialist society's *economic mechanism* and is inseparably linked with its other components. This mechanism is steadily developing and improving as socialist relations of production mature, in particular, credit relations. Further improvements in the credit mechanism and its greater impact on social production to make it more effective and raise quality of work and products presuppose: the transition to five-year credit plans with an annual breakdown, more active role for bank credits in financing capital construction, and more severe credit penalties against enterprises failing to honour credit and payment obligations. The basic credit institutions of socialist society are the banks (see *Banks under Socialism*). Besides, the socialist credit system includes state savings banks (they perform operations involving the retention of the cash savings of the general public, the purchase and sale of state bonds, accepting payments for municipal and everyday services), and the pawnshops (they provide loans to people on the security of their belongings and accept these belongings for safe keeping). Several socialist countries also have a system of credit co-operation. The principles of the credit systems which are common to all the socialist countries are: state monopoly of crediting operations; single credit policy for the en-

tire country; democratic centralism in running the credit system; direct planned bank crediting of the economy; accumulation of the country's money turnover in the central state bank; extensive use of clearing operations through the credit system. At the same time each socialist country has its own specific features in the structure of its credit system, the methods of providing credits to the economy and the people, and in functioning of the credit mechanism.

Credit under Capitalism, a form of spontaneous movement of *loan capital*. The process of the *circuit of capital* inevitably leads to the formation of temporarily free *monetary capital*. At the same time industrial and merchant capitalists periodically need more capital. Thanks to credit the temporarily free capital of some capitalists is provided to others on the condition that it be paid back, usually with *interest*. Credit encourages the continuity of the process of production, ensures accelerated *turnover of capital* and boosts capitalist *profit*. The main forms of credit under capitalism are commercial and bank credits. Commercial credit is that provided by investing capitalists (industrialists and traders) to each other in the form of *commodity capital* for certain periods of grace, usually several months, under a *bill*. Banking credit is provided by loan capitalists to investing capitalists in the form of sums of money and is effected by *banks*. There are also other forms of credit: mortgage, consumer, state, international. A mortgage credit is a loan on the security of a real estate (land, buildings) (see *Mortgage*). Consumer credit involves the sale of commodities directly to consumers with a grace period. It has developed because of working people's limited effective demand, and problems with commodity sales. Because interest rates are usually high, consumer credit becomes a burden for consumers while capitalists reap immense profits. Capitalist state credit is the credit received by a bourgeois government through issuing of state bonds (see *Loans, State*). The state may also assume the part of creditor, mainly in foreign

intergovernmental loans. International credit, that is credit transactions between capitalists and governments of different countries, exists in the form of commercial, bank and state credit. It is a weapon in the competitive struggle for profitable markets, cheap sources of raw materials, and more advantageous investments. Under imperialism international credit became one of the basic forms of the *export of capital*, a means for economically and politically enslaving the peoples of the developing countries. The principal international creditors of the modern capitalist world are the USA, Great Britain, West Germany and France. All the forms of credit under capitalism further the development of capitalist production, while at the same time heightening the contradictions of capitalism.

Credit under Socialism, a system of planned economic relations, by means of which socialist society mobilises the temporarily free monetary funds available in the economy and uses them for expanded *reproduction* on conditions of repayment, fixed terms and payment. The temporarily free monetary funds accumulate in the banking system and form what is called the state loanable fund. The social and economic nature of credit under socialism is dramatically different from capitalist credit. The absolute dominance of public ownership of the means of production determines that credit will be used in the interests of building communism and improving the people's well-being. In socialist society credit is planned; it is directly linked with the processes of reproduction; it is used to stimulate the steady growth of production, and cannot be used for profiteering operations characteristic of capitalist credit. There are no credit crises in the socialist economy; credit stability is provided by ongoing and planned economic development, by the stability of planned prices and monetary circulation, and by the absence of budget deficits. Credit performs the functions of the planned redistribution of monetary funds, the replacement of ready money in economic turnover and a lever of economic control over the operations of enterprises. This

makes it possible to meet the demand of enterprises (or associations) for monetary funds in full and in time; it accelerates the process of turning production and commodity funds into the monetary funds, reduces the *time of production* and circulation, and accelerates the turnover of monetary funds. Credit is an important source of monetary capital for extending production and implementing *scientific and technical progress*. It encourages improvements in the *proportions of social production* because it is one of the basic sources of monetary funds for the planned distribution of the means of production and labour resources between different sectors of the economy and economic regions. The credit method of monetary funds redistribution is characterised by repayment, fixed terms and payment for the right to use the loan, and by principles of socialist economic crediting like the planned, direct and purposeful character of bank credit, its backing by material wealth and its differentiated character; for all these reasons, credit becomes a lever of economic control over the implementation of the qualitative and quantitative indicators of the plan for production and turnover. It reinforces the *cost-accounting* basis of running enterprises and leads to improvements in the *quality of output*. Credit granted to enterprises (or associations) may be either long-term or short-term. In the USSR, the ratio between long-term and short-term bank credit investment in the economy was on January 1, 1979, as follows: of total credit investments of 292,100 million roubles, long-term credits amounted to 68,300 million roubles or 23.3 per cent, while short-term credits amounted to 223,800 million roubles or 76.7 per cent. Short-term credit is granted for a term of up to one year, and in certain instances, of up to two years. It is used primarily to replenish *circulating assets* for production expenditure, for the stocks of material wealth, and for servicing trade. To ensure the timely payment for products received the USSR State Bank and the USSR Construction Bank are allowed to grant a credit to the purchasing enterprise which temporarily lacks funds, for a term of up to 60 days at 5 per cent

interest; once this term has expired, they are allowed to proceed with further crediting, although at a higher rate of interest. Short-term credits may be used to replenish and expand the *fixed production assets*, if these investments are quickly repaid (capital repairs, rationalisation, mechanisation and automation of production, organisation and expansion of the production of consumer goods, improvements in everyday services, highly effective measures to produce new commodities and improve quality). Long-term credit is provided primarily to expand or replenish basic funds, i. e. for reconstruction, modernisation and expansion of operating enterprises, payments for extensive domestic technological and power equipment used for building industrial facilities and new enterprises (see *Expansion and Reconstruction of Running Enterprises*). The USSR is able to expand the construction of enterprises thanks to credits granted by the Construction Bank to construction and assembly organisations covering the full estimated cost of construction for a term up to the delivery of the completed enterprise to the customer and the latter's payment to the contractor. Credit is also granted to the general public for consumer needs. There are also credit relations of a certain type, in which a socialist state borrows money from the general public in the form of state loans (see *Loans, State*), and cash deposits of the people in banks and savings banks. A certain rate of interest is levied for the credit granted; it is the payment for using the loan. Interest rates depend on the kinds and terms of loans; higher interest rates are imposed as a penalty for overdue loans. As well as internal credit there is also international credit, which reflects the credit relationships of the socialist state with other countries. Credit that the socialist countries grant to each other is an important means of economic cooperation and mutual assistance, development and the reinforcement of the socialist economic integration of the CMEA member countries (see *Integration, Economic Socialist*). Credit promotes the development of economic relations between socialist and capitalist countries. The USSR and several other

socialist countries provide significant credit assistance to newly liberated countries which have launched independent economic development.

Crisis of the Colonial System of Imperialism, crisis of economic and political domination of the imperialist powers in the colonial and dependent countries, one of the characteristic features of the new stage of *general crisis of capitalism*. The essence of the crisis of the colonial system of imperialism is the fact that the imperialists are no longer in a position to dominate the colonies as they did of old, nor are they able to retain their dominance using their former methods of violence, as the people of the colonial and dependent countries refuse to live in the old way any longer and start fighting for their liberation. The Great October Socialist Revolution opened the epoch of victorious national liberation revolutions in the colonial and dependent countries, and brought the peoples of the colonial world into the mainstream of the world revolutionary movement. It was a catalyst for the revolutions in Iran and Afghanistan, the popular uprising in Syria, the national liberation war against French and Spanish imperialism in Morocco, the war against American imperialism in Mexico and Nicaragua. National liberation struggle flared up in the largest Asian colonies and semicolonies, including China, India, Indonesia and Southeast Asia. The October Revolution inspired the peoples of the colonial and dependent countries to struggle against the imperialist yoke, awakened class and national consciousness, and pointed the way to socialism. Marxist-Leninist parties emerged and entrenched themselves in these countries. These parties avail themselves of the experience of the CPSU and enjoy the support of the Soviet Union. The crisis of the colonial system and the upsurge of the national liberation movement in the colonial and dependent countries after the Great October Socialist Revolution testify to the fact that the era of untroubled imperialist exploitation of the colonial peoples has irreversibly become a thing of the past; it has been replaced by the epoch of libe-

ration revolutions, which swept the formerly oppressed peoples and brought them into the world revolutionary movement. A new stage in the crisis of the colonial system of imperialism began during World War II and especially after it. This process was logically crowned by the *collapse of the colonial system of imperialism* in the third stage of the general crisis of capitalism.

Currency, a monetary unit of a country (e. g., the Soviet rouble, British pound sterling, Bulgarian lev); a type of monetary system (gold, silver, banknote); the aggregate amount of money used by a country in its international settlements (foreign currency). The world has had two prevailing types of monetary system: monometallism, when one metal was used, and bimetallism, when both gold and silver were equally involved in circulation. Since the latter half of the 19th century, gold has prevailed as a monometal in most European countries. The epoch of the general crisis of capitalism is as a whole characterised by a monetary system based on banknotes; they are only symbols of gold, which continues to play the role of *universal equivalent*, and replace gold only as a medium of circulation and a means of payment. This system creates the basis for chronic *inflation*, periodical *devaluation* and permanent *monetary crisis*. Capitalist currencies are subdivided into convertible, which can be exchanged for any foreign currency (e. g., the US dollar), partially convertible, which can be exchanged only in certain monetary transactions and even then not by all owners (the currencies of most West European countries), and inconvertible (closed), which are only circulated within the boundaries of a single country. The US dollar plays the principal role in the capitalist monetary system: it is a key (reserve) currency of the capitalist world. Most international settlements are effected and world market prices fixed in dollars. The pound sterling is also widely used. Recently, the West German mark, the Japanese yen and the French franc have acquired greater weight in international settlements. Typical of the capitalist monetary system today is the dollar crisis; it is a major mani-

festation of the crisis which has plagued the imperialist financial and monetary system and which directly hinges on US military and economic expansion and steadily mounting inflation. The currency of the socialist countries is, on the contrary, characterised by a stable nature rooted in the advantages of the socialist economic system, which is based on social ownership of the means of production, the balanced development of the socialist economy, and planned money circulation and commodity turnover. The stability of socialist currencies is guaranteed by the mass of commodities brought into circulation at planned prices, which have been set and maintained on a stable level. A certain role is played by the gold reserves at the disposal of the socialist countries, which they draw on to regulate their balance of payments with the capitalist countries and to buy the commodities they need to augment their commodity supplies. Of crucial importance in ensuring the stability of currency, however, is the planning of foreign economic ties and the state's monopoly of foreign currency; they enable the state to concentrate it in its hands and withdraw it from internal circulation, which shields the socialist countries' monetary circulation and domestic market against the spontaneous vacillations typical of the capitalist monetary market.

Current Capital, part of the *productive capital*, whose value is fully transferred in the production process to the product, and is fully returned to the capitalist in money form in every *circuit of capital*. In the category of current capital is the capital advanced for purchasing *objects of labour*. Raw materials, fuel, ancillary materials and other objects of labour are fully consumed in the production process, and their value is fully transferred to the finished product. In the category of current capital is also the part of capital advanced to buy *labour power*, i. e., *variable capital*. The distinctive feature of the participation of labour power in creating the value of the product is that it does not transfer its value to the product, but creates new value, which includes the equivalent of its own value as

well as *surplus value*. But in the method of its circulation, variable capital is not different from other elements of current capital. The capitalist's expenses on labour power are fully included in the value of the manufactured products, and are fully recovered during their sales. Current capital camouflages exploitation. Since variable capital is one of its components, surplus value appears to originate from all the advanced capital and not only from its variable part. The proportion in which productive capital is divided into *fixed capital* and current capital has its effect on the annual mass and the *rate of surplus value*. Current capital makes a circuit much faster than fixed capital. Therefore, the greater its share in advanced capital, the less the time of turnover of all capital and hence, the greater the surplus value obtained by the capitalist.

Current Planning, the drawing up and organisation of the fulfilment of plans for the development of the national economy and of its branches, associations and enterprises, the economies of the republics, regions and districts over the year, with a quarterly distribution of tasks. Current planning is inherently linked with *long-term planning*. In accordance with the set procedure for *economic planning*, annual plans for economic and social development are drawn up on the basis of the tasks and economic targets of the five-year plan for the given year (see *Rated Planning*). A current plan envisages the necessary specification of these tasks, the introduction of high technology, as well as economic and organisational measures ensuring the fulfilment of the five-year plan, due account being taken of the results achieved in the course of the fulfilment of the five-year plan, tapped new reserves, and new requirements that have arisen. Annual plan indices are usually set at a level not below the target of the five-year plan for this year, although with greater detail in order to take fuller account of the specific requirements of production and the population, the results of the development of science and technology, the advanced experience of work collectives and individual

workers. The system of indices and technical and economic rates is aimed at boosting the workers' incentive to raise production efficiency, the *quality of products* and work, and achieve high *final results*. The annual plan, as distinct from the long-term plan, starts from below, i. e., production associations (enterprises) and organisations. On the basis of *socialist emulation*, they evolve *counter plans* exceeding the corresponding five-year plans. Dovetailed with material resources, these are included in the main plan. When drawing up their annual plans, associations (enterprises) and organisations meet their customers and suppliers beforehand to draw up a *nomenclature* (list) of *products* in order to conclude *economic agreements*. Planned targets are set on the basis of economic and engineering calculations, on the basis of the *passport of an enterprise*, containing data on the availability and use of production capacities, including the shift coefficient, the organisational and technological standard and production specialisation, as well as other technical and economic indicators. As a result, plans become better substantiated and more stable and now it becomes possible not to set planned targets purely on the basis of the dynamics of the corresponding indicators. It is not allowed to lower plans in order to meet the actual level of fulfilment. The annual plan is evaluated by the growing result from the start of the year (see *Discipline, Planning; Tekh-promfinplan*). Basing themselves on the five-year plan targets for the current year and on the counter plans of production associations (enterprises) and organisations, ministries and departments of the USSR and the Councils of Ministers of the constituent republics draw up draft annual plans (distributing the most important targets by quarters) for individual branches and republics. The State Planning Committee of the USSR prepares, with due account for the targets of the five-year plan, and presents to the USSR Council of Ministers a draft state plan for economic and social development for the following year. Thus, the existing planning procedure consolidates the link between the current and five-year plan, turning the former

into an effective tool for fulfilling the latter. At the same time, it orients work collectives on achieving higher final results, and better satisfying the requirements of the national economy and population.

Cycle, Capitalist, the movement of capitalist production through consecutively linked phases — crisis, recession, recovery, and boom. The cyclic nature is an intrinsic property of capitalist production. The *economic crisis of overproduction* is the main phase of the capitalist cycle. Consummating one cycle, it begins a new one, passing into the phase of recession, which is followed by recovery and then boom. The replacement of *fixed capital* is the material foundation of the cyclic development of the capitalist economy and the periodic crises of overproduction. This replacement is periodic because the life span of fixed assets is approximately 8 to 10 years. And so, ever since the industrial revolution, the capitalist world (individual countries and the entire system as a whole) has regularly found itself deep in the abyss of overproduction crises (1825, 1836, 1847, 1856, 1867, 1873, 1882, 1890). The epoch of imperialism brought with it a tendency towards more frequent and deeper production crises due to the acceleration of technical progress and of the obsolescence of fixed assets. Crises occurred in 1900 and 1907, the 1913-14 crisis was interrupted by World War I. Soon after the end of the war, the 1920-21 crisis began and was followed by

the 1929-33 crisis — the most destructive in capitalist history. Four years later another (1937-38) crisis hit the capitalist system. It was cut short by the preparations of the capitalist powers for World War II. Soon after the war, the next (1948-49) crisis ensued, followed by the 1953-54, 1957-58, 1960-61, 1969-71, 1974-75 crises. The interdependence of developed capitalist countries has grown as a result of the internationalisation of economic life and the development of the international capitalist division of labour (see *Division of Labour, Capitalist International*) and the *specialisation of production*; their technological and economic development has levelled out to a certain extent. As a result, in 1974 these countries, for the first time since the war, entered the crisis phase simultaneously. The fact that the main phase of the capitalist cycle in the developed capitalist countries began synchronously is the key feature of the 1974-75 economic crisis. Scientific and technical progress, the heightened working-class struggle, the intensified economic activity of the bourgeois state to eliminate crisis phenomena and the attempts to overcome economic instability by *state (government) regulation of the capitalist economy* have influenced the cycle of modern capitalism in a definite way. The cyclic nature of production under capitalism testifies to the spontaneity of its development, to the intermittence of reproduction and, in the final analysis, to the transient character of the *capitalist mode of production*.

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Deflation, the withdrawal from circulation of some of the excess paper money in order to make its amount correspond better to the amount of gold necessary for circulation. This process is opposite to *inflation*. The governments of capitalist countries resort to deflationary policies to improve the balance of payments and to curb inflation to a certain extent. This policy is implemented through the credit, money and tax mechanisms. Its basic techniques include increased taxes, reduction of some government expenditure, increased bank rates, and other measures to reduce the demand for credit, step up savings, and tighten consumer credit. Open market operations such as the sale of state securities by central banks and increases in the minimal norm of contingency reserves for banks in order to reduce the overall amount of the *loan capital* have recently been widely used. Deflationary policies are a heavy burden for the working people of the capitalist countries, because tax increases hit them hardest, while reductions in bank credits cut back production and increase *unemployment*.

Democratic Centralism in Economic Management, the principle on which the socialist economy is managed, through combining unified centralised management with the initiative and creativity of local and sectoral bodies and of all the working people, every economic body and official being responsible for the job they have been entrusted. It implies that the decisions of higher echelons are compulsory for lower ones and that strict state discipline is observed. The principle is aimed at comprehensive improvement of the *efficiency of social production* and the *quality of output*, achievement of high *final results of production activity* for the benefit of all society and each of its members and for the sake of the communist education of the working people. Democ-

ratic centralism in economic management is only possible under socialism which, on the one hand, makes it possible to centralise management of the entire national economy and, on the other, involves the broadest masses of the working people in management. The need for a centralised economic management ensues from the very nature of the socialist system. The seizure of political power by the working people and nationalisation of the main means of production create objective conditions for meeting the requirements of large-scale production in organisational unity of the national economy and its direction from a single centre according to plan. In compliance with the Constitution of the USSR, the higher echelons of state power and management have, in particular, to wage a uniform socio-economic policy and manage the country's economy; define the guidelines for *scientific and technical progress* and outline general measures for rational utilisation and protection of natural resources; develop and approve state plans for the economic and social development of the USSR and supervise their fulfilment; develop and approve the unified State Budget of the USSR and supervise its implementation; manage the uniform monetary and credit system; define prices and wages policy; manage industries, associated and individual enterprises of national importance; guide industries of Union-Republican subordination; manage state-monopolised foreign trade and other external economic activities. Centralised management of the economy makes it possible to use more effectively labour resources, matériel and funds, concentrate them in the most important areas, ensure the balanced development of the national economy, and prevent numerous losses unavoidable in a free market economy. Socialism also opens up for every citizen and work collective ever broader vistas for taking part in the management of the state and society. The Soviet law On Work Collectives and Enhancing Their Role in Managing Enterprises, Institutions and Organisations places wide powers in all spheres of production and social life at the hands of work collectives. *Participation of working people in eco-*

nomic management, and the active role of sectoral and regional management in the development of the national economy ensure that full use is made of the initiative and creative energy of the working people in the national interests, that additional reserves are tapped for increasing production, local and sectoral specifics are taken into account and thus the most effective programme developed and implemented for achieving the ultimate goals set up by the central management bodies, that higher management echelons are relieved of responsibility for deciding current issues, and decision-making is both speedy and flexible. The centralism and democratism in economic management are different forms embodying the absolute power of the working people and their rights as masters of production. These two basic principles, far from being in conflict, constitute an organic whole; they are interdependent and complementary. As Lenin said, "centralism understood in a truly democratic sense, presupposes the possibility, created for the first time in history, of a full and unhampered development not only of specific local features, but also of local inventiveness, local initiative, of diverse ways, methods and means of progress to the common goal" (V. I. Lenin, *Collected Works*, Vol. 27, p. 208). The forms and methods for implementing democratic centralism in economic management evolve depending on changes in the level of the economy and the nature of the links between its components, scientific and technical progress and its materialisation in production, the social activity of the working people and availability of skilled personnel. The implementation of democratic centralism is also dictated by the status of the *economic mechanism*, the planning system in the economy, and the division of rights and duties between the elements of the economy. In the USSR, a system of measures is being carried out to improve the centralised, planned management of the economy, develop democratism in production management and increase the creative initiative of work collectives. To this end, the role of *long-term planning*, in particular of five-year plans, and its unity with *current planning* is being

increased; the rights of production associations (enterprises) and local territorial management bodies are being expanded and their economic initiative encouraged; the material responsibility of production associations (enterprises) and organisations for fulfilment of their obligations, and in particular, timely delivery of products of the agreed variety and quality, is being stepped up (see also *Discipline, Planning*); the conditions are being created for further development of the creative activity of the working people, *socialist emulation*, and *counter (upwardly adjusted) plans*.

Depreciation, the gradual transfer of the value of the means of labour, as they wear out, to the manufactured product and the use of this value to gradually reproduce *fixed production assets*. In the process of production, the means of labour become physically worn (see *Physical Wear and Tear of the Means of Labour*) and gradually lose their use value. At the same time, their value is being transferred to the manufactured product, and is becoming correspondingly lower. The value of the means of labour is also reduced as a result of their obsolescence (see *Obsolescence of the Means of Labour*) caused, on the one hand, by their becoming cheaper as a result of higher labour productivity in manufacturing similar machinery and equipment, and, on the other — by the development and use of technically more advanced means of labour. *Cost accounting* envisages that the means spent by the socialist enterprises to reproduce fixed assets are compensated using the proceeds from the sales of the manufactured produce. This is achieved by setting up a depreciation fund, the chief source for financing *capital investment*. In accordance with the established state norms, each enterprise is required to have a certain depreciation fund, which is divided into two parts. The first goes into partial reconstruction (major repairs and modernisation) of fixed assets. Ninety per cent of these means remain at the disposal of the enterprise. The other part is used for the renovation of fixed assets. In part

(30-45 per cent), it remains in the enterprise, the rest going to finance centralised capital construction. Depreciation is a monetary form assumed by the transfer of the value of existing fixed assets to the manufactured product; it is included in the *prime cost of product*. It is a general law for the share of depreciation allowance in production expenditure to rise, which is determined by the fact that there is an increase in the *asset-worker ratio*. The size of the annual depreciation allowance depends, first, on the average annual value of fixed assets and, second, on the *rate of depreciation*. The depreciation rate is understood as the ratio of the annual depreciation allowance to the average annual value of fixed assets in percentages. It shows the period of service during which the value of fixed assets must be renovated. Depreciation rates are established for renovation and for capital repairs individually; they differ depending on the types and groups of fixed assets. Underestimated depreciation rates slow down the renovation of fixed assets, thus indirectly impeding technological progress, while exaggerated rates result in an unjustified growth of prime costs. An economically reasonable rationing of depreciation allowance is a necessary condition for the correct formation of a depreciation fund.

Depression, the phase of the capitalist cycle immediately following a crisis (see *Cycle, Capitalist*). In this period production ceases, on the whole, to drop and is stagnant, or remains at the level it attained towards the end of the crisis. Enterprises operate well below capacity. Unemployment is as high as during the crisis. Trade is sluggish but stocks of commodities have stopped growing and start to melt away; some of them are destroyed and some are sold at below-price. The rate of *interest* is low because the *rate of profit* has fallen, while the supply of *loan capital* greatly exceeds demand. In trying to adapt to low prices, capitalists cut back production costs, reduce wages, and increase the productivity and intensity of labour. Gradually, the *fixed production assets* are renewed, this being a decisive factor in overco-

ming the depression and initiating a recovery. The growing demand for equipment results in an increase in its production, and also in that of the materials, fuel, etc. that are needed for this purpose. Consequently, employment rises, and this, too, also contributes to raising production. In this way, a transition is made to the recovery phase. The aggravation of capitalist contradictions in the context of the general crisis of capitalism hinders this transition as do mass unemployment, inflation and the monetary crisis at the modern stage.

Devaluation, a reduction, by law, in the amount of gold designated as the standard of value of the national monetary unit and a related lowering of its exchange value in relation to the currencies of other countries. Bourgeois governments use devaluations in an attempt to put an end to economic disarray (*balance of payments* crises, reduced competitiveness of national commodities on the home and foreign markets, disruption of normal money circulation and credit relations, and disorganisation of the reproduction process) at the expense of the working people, because a reduction in the purchasing power of currencies results in an increase of *inflation* and lower living standards. Before World War I and the *general crisis of capitalism*, when gold and silver money was in circulation alongside paper money and the banknotes were exchangeable for gold, devaluation was a tool for stabilising the currency that was employed when the value of paper money, previously diminished as a result of inflationary banknote issues, stabilised. Devaluation was usually followed by restoration of the exchange of paper money for gold. A salient feature of the age of the general crisis of capitalism is an increasing disarray of the monetary and financial system of capitalism (see *Monetary Crisis*). Since the Great Depression of 1929-33, devaluation has not, as a rule, entailed the restoration of paper money exchange for gold or silver. It can no longer stabilise national currencies. The post-World War II period has seen an ever expanding crisis of the

monetary and financial system of capitalism, as evidenced by regular devaluations of the currencies of capitalist countries, often occurring simultaneously in many countries. This was the case in 1949 and 1967, the devaluations being in relation to the US dollar rather than gold. By the early 1970s, the unprecedented scale of the militarisation of the economy and deterioration of the USA's positions on the world capitalist market had resulted in a dramatic deterioration of the country's balances of trade and payments. Other countries accumulated a tremendous amount of paper dollars, especially Eurodollars in Western Europe, while in 1971 the gold reserves of the USA fell to the lowest permissible margin. In this context, in the summer of 1971, the US Administration officially cancelled the exchange of paper dollars for gold and had to reduce the gold parity of the dollar by 7.89 per cent and increase the official gold price from \$35 to \$38 per troy ounce and in February 1973, by an additional 10 per cent, to \$42.2 per troy ounce. Devaluation of the US dollar, the main reserve currency of the capitalist world, is a major manifestation of the crisis that has struck the monetary and financial system of imperialism. The devaluation briefly improved the position of the US monopolies on the world market, but did not succeed in halting a further drop in the purchasing power of the US dollar. The position of the British pound sterling and other currencies has been deteriorating. The increasingly acute crisis of the monetary and financial system has forced some capitalist countries, such as Britain, Italy, and France, to abandon fixed rates of exchange and let their currencies float in relation to other currencies. Drops in the rate of exchange in the process of floating are equivalent to devaluations. For the masses of the working people, devaluations bring nothing but a further decrease in their living standards resulting from price rises and an associated reduction of real wages. Devaluation of the currencies of developed capitalist countries deals a heavy blow to the economies of developing countries, which lose much of their export earnings.

Developed Socialism (the economic basis), the totality of socialism's *relations of production* at its mature stage. Following the *period of transition from capitalism to socialism* society experiences two stages in its advance to communism: socialism which is built on the whole, and developed, or advanced, socialism. The society of developed socialism reached in the USSR is to date the highest point of social progress. The developed socialism is a society where the economic base, social structure and political system have been created to correspond to socialist principles, and where socialism develops on its own, collectivist basis. The economy of developed socialism is founded on advanced *productive forces*. At the stage of the socialist rebuilding of the economy, the technical level of the *production assets*, primarily of the newly commissioned enterprises and new industries, reached in the USSR, practically the level attained in advanced capitalist countries; in the succeeding period, essentially new machinery and technique were introduced in high-technology industries. At the same time, a powerful scientific potential was created and the role of science dramatically increased. Improved general education and skills, and the extensive network of higher and secondary schools moulded a force of millions of highly qualified workers, engineers, and scientists. A single powerful economic complex has been created to cover all aspects of social production, distribution, and exchange. Material production of this complex is founded on modern powerful multisectoral industry (heavy industry, which includes metallurgy and power, engineering and instrument making, and the electrical, chemical, and petrochemical industries; agro-industrial sectors; and the light and food industries) and large-scale collectivised and highly mechanised agriculture. The deepening *social division of labour* has led to the further *concentration of production* and *centralisation of production* whose nature is increasingly social. The economies of the Union republics have become an integral part of the country's economy. Developed socialism is a society of mature socialist

production relations. State (belonging to all the people), and collective farm-and-cooperative forms of property are continuously converging; broad links are established between work collectives (see *Collective, Work, Production*) to ensure cooperation and mutual aid, *socialist emulation*, and new *labour discipline*. The main factor in cementing mature relations of ownership is the evolution and consolidation of the leading role of state property. The level of production socialisation is increasing in the collective farm-and-cooperative sector. The collective farms are large-scale highly mechanised enterprises. A broader introduction of industrial means of production has contributed to expansion of economic ties between town and country and enhanced the leading role of industry. The extent of planned economic development management has grown, as have the role of *long-term planning* and the significance of balanced development. The forms of consumer goods distribution according to the amount and quality of labour are improving; the *social consumption funds* are making an ever growing contribution to satisfying the working people's needs. Profound changes have occurred in the social structure. The leading role of the working class has grown. In social position, education standards, and *way of life* collective farmers have approached the working class. The political and ideological unity of the working class, peasants and intellectuals has consolidated. A historically new social and international community, the Soviet people, has emerged. In the political sphere, the stage of developed socialism has featured the evolution of the dictatorship of the proletariat into a state of the whole people, the all-round development of democracy, Marxist-Leninist ideology becoming the moulder of society's spiritual life, and the growing leading and guiding role of the Communist Party. Guided by Marxism-Leninism, the CPSU determines the general prospects of social development, domestic and foreign policy, and leads the great creative activity of the Soviet people by guaranteeing the planned and scientifically sound character of their endeavours in building

communism. For developed socialism to evolve into communism, a *scientific and technological revolution* is needed. In developed socialist society the *economic laws* of socialism have the broadest latitude for their operation, and the mechanism of their conscious application is being improved both in individual countries and in the *world socialist economic system*. The advantages and the potential of the socialist economy, with its public ownership of the means of production and planned development guaranteeing the well-being and comprehensive development of all members of society, manifest themselves in an increasingly stronger way. The USSR possesses tremendous modern production assets, powerful scientific and technological capability, millions of highly skilled workers and engineers, and a rich experience in planned economic management. Higher material and cultural standards facilitate the creative activity of the working people. The economic integration of the socialist countries has contributed to boosting production (see *Integration, Economic Socialist*). A new period of developed socialism was marked by the 26th CPSU Congress, which endorsed the Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1990. This decade is an important new stage in creating the material and technical base of communism, progress in social relations, and the moulding of the new man. In this period, fullest possible use will be made of the advantages and potential of the society of mature socialism, and material and spiritual wealth, and scientific and technological capability will significantly increase. Now that the USSR has reached new frontiers of socio-economic progress, the CPSU and the Soviet people are able to deal with problems of ever increasing scale and complexity in building communism. The May (1982) Plenum of the CPSU Central Committee adopted the Food Programme for the Period Ending in 1990 that was elaborated in conformity with the resolutions of the 26th Party Congress.

Differential Rent under Capitalism, part of the surplus value appropriated by landowners on the basis of their monopoly of the land as an economic object. The source of differential rent is the excess of the surplus value over the average profit, which is created because of the higher productivity of labour of agricultural workers on better land and the higher productivity of additionally invested capital. In agriculture, land is a major means of production. The area of arable land is limited, so less fertile areas are used as well as high- and medium-fertility and well-located lands. The fact that the land area is limited leads to the creation of monopolies of the land as an economic object. One characteristic of capitalism is separation of land ownership and farming. Capitalists rent land from landowners and run enterprises there. Landowners let their land for exploitation for a certain payment, *ground (land) rent*, of which differential rent is one kind. It takes shape as follows. The social price of making farm produce is regulated by production costs under the worst social conditions, or by the cost of obtaining products from the worst land both in respect of its fertility and location rather than by production costs under average social conditions, because the population and industries cannot be provided with consumer goods and raw materials from the best and average land areas alone. This price is equal to the production costs on the worst (cultivated) land, plus the average profit. But the individual production costs of each hundred-weight of the product vary from one plot to another because of the different productivities of labour. The capitalist who rents the worst land can have average profit, while better land produces additional (surplus) profit. This additional profit is created by the higher productivity of the agricultural workers. It is appropriated by the landowner on the basis of his private ownership of the land and constitutes differential rent. There are two forms of differential rent. Differential rent I is the difference between the production costs on the worst land and the individual production costs on the best and average land. It is formed thanks to the higher fertility of

the best and average land, differences in the proximity of markets, transportation lines, etc. Differential rent II is the difference between the social and individual production costs that takes shape with successive additional capital investments on the same plots of land. When a new rent agreement is signed, this additional profit is appropriated by the landowners, who raise the rent.

Differential Rent under Socialism, a form of *additional net income* of agricultural cooperatives (collective farms), an income that results from the higher productivity, with the same labour investment on more fertile and better situated land plots, or from differences in the productivities of successive amounts of labour input in the same area. The existence of commodity-money relations, *state socialist property (belonging to all the people)* and the specifics of *collective farm-and-cooperative property* results in transformation of the additional net income of cooperatives into rent. The differential rent under socialism differs radically from capitalist rent. In socialist society there is no room for the social and class antagonisms in rent relations which exist under capitalism between land- and capital owners, on the one hand, and hired workers, on the other. The differential rent expresses the relations between society and cooperative enterprises concerning the additional net income, and relations of comradely cooperation and mutual assistance between the working class and collective farmers. The differential rent exists in two forms. Differential rent I is the additional net income obtained from differences in the productivity of identical labour inputs in equal land plots of different fertility and location. Most of this income is appropriated by the state and used for the benefit of society as a whole, above all for the planned development of agriculture. Differential rent I is collected by the state through purchasing prices, differentiation of amounts purchased, and through income tax. Differential rent II is the additional net income resulting from different productivities of successive labour inputs on the same plot of land. The increasing pro-

ductivity of labour in the context of *scientific and technical progress* results in a steady increase of the amount and rate of differential rent II. Most of it remains at the cooperative and is used to expand production and raise the incomes of the cooperative members.

Direct Long-Term Economic Ties, stable relationships between producer and consumer associations (enterprises) in the provision of industrial and technological products. Under these relationships, assortment plans for the production and delivery of products are formed within centralised assignments, and the amount of resources allocated. These plans are formalised as long-term economic agreements on the basis of consumer orders. The system of direct ties expresses a new stage in the *socialisation of production*, which is marked by more complex ties in the economic structure and proportions, and by their greater dynamism. As production expands and specialisation and cooperation develop, the final economic results (see *Final Results of Production Activity*) become increasingly dependent on coordinating the work of the intermediate links and the intra- and inter-sectoral ties, as well as on the effective work of each link in the entire framework of economic relations. Long-term economic ties make it possible to unite the efforts of consumers and suppliers in a planned way in order to ensure the timely and proper fulfilment of the state economic and social development plan, and to increase production efficiency through accelerating the introduction of scientific and technical innovations, through economising on material, labour and financial resources, and through expanding the range and improving the quality of products in accordance with consumer orders. This is done through regularising the production process and product deliveries according to technical specifications agreed with the consumer within a certain period of time stipulated in economic contracts. Today in the USSR direct ties link more than 12,600 production associations and enterprises, specifically 8,700 associations and enterprises of 70

ministries and departments which manufacture 75-85 per cent of the products in a given industry. Direct long-term economic ties are established for a five-year period on the basis of the proposals of consumer enterprises on their linkage with producer enterprises for product delivery. The volume of product deliveries is determined by planning bodies in an expanded product range. All other delivery specifications — such as assortment, time limits and quality — are defined in long-term contracts which currently encompass 90 per cent of the products delivered directly to enterprises. In the current eleventh five-year plan period (1981-1985), direct economic ties are becoming the basic form of material and technical supply for production associations and enterprises which stably produce and consume various goods. The planned organisation of these ties, higher economic incentives and greater responsibility for their development and the fulfilment of the delivery plan, the linking of delivery enterprises to consumer enterprises through the organisation of rational shipments and the conclusion of long-term contracts with transport organisations are all important avenues in improving the *economic mechanism*. Direct long-term economic ties are promoted by cooperation between work collectives of enterprises in different industries which together produce the end product and are consequently interested in fulfilling contractual obligations in the entire product range. These ties help further improve production relations and strengthen the relations of comradely cooperation and mutual assistance, increasing the degree of socialisation of socialist production. Today, direct ties are developing rapidly between enterprises of industrial ministries producing consumer goods and trading organisations. This makes it possible to formulate the production programme of enterprises proceeding from trade orders, organise the smooth functioning of industrial enterprises, and more efficiently change the assortment depending on consumer demand. The establishment of direct long-term economic ties makes all participants more responsible in material terms for the timely and proper fulfilment of plan as-

signments and delivery obligations in accordance with consumer orders and long-term contracts, and so helps to achieve high ultimate results.

Direct Social Production, production based on socialist ownership of the means of production and regulated in a planned way on the scale of all society. When private capitalist ownership dominates, the general form of economic relations between producers is spontaneously developing commodity-money relations, social production being regulated by the spontaneously operating *law of value* through the market *supply and demand* mechanism. The domination of public socialist ownership of the means of production engenders a fundamentally new form of economic relations between producers. Socialist production is regulated directly by society. Socialism as a system of planned, direct social production opposes capitalism as a system of a spontaneous, market economy. The planned development of social production becomes possible only when capitalist ownership of the means of production is eliminated and socialist ownership established. The socialist socialisation of the means of production erases the contradiction, inherent in capitalism, between the social character of production and private appropriation (see *Basic Contradiction of Capitalism*). The material boons created by collective labour are appropriated in accordance with the social character of production. The common fundamental economic interests of the working people make it necessary to coordinate the economic activity of all members of society. Being the owner of the main means of production, society, acting on behalf of the socialist state, takes account of aggregate requirements, available labour resources and the material conditions of production. Thus, it is in a position directly to distribute resources between branches, economic regions and enterprises, in the proportions necessary for best satisfying social requirements. Workers' control over the production and distribution of output, preparing the conditions for socialist nationalisation of the basic means of production is the first historical form of social control over production in

the interests of society as a whole (see *Nationalisation, Socialist*). Later, the seizure of the commanding heights of the economy allows the state of the dictatorship of the proletariat to develop production socialised in a socialist way according to a single state plan. With the triumph of socialism, when public ownership of the means of production becomes fully dominant and labour is cooperated on the scale of the whole of society, an opportunity arises for developing the entire national economy in a planned way. There are socialist and communist stages of maturity in the direct social regulation of production. The former is linked with the level of development of the property of all the people and with the essential differences in the ownership of the means of production of state and cooperative enterprises and the ensuing differences in the character of labour. Alongside labour socialised on the scale of the national economy, under socialist conditions there is also labour socialised to a considerable extent on the scale of collective farm and cooperative enterprises and the collective farmers' labour on their personal subsidiary plots, which is not directly socialised. The planned regulation of production under these conditions takes account of the existence of material interests of different kinds of work collective and of individual workers (see *Economic Interests*). Commodity-money relations also influence the specifics of the socialist stage of improving planned development. These relations help to regulate the national economy under socialism. Under socialist conditions, economic links through commodity exchange organised in a planned way are a form of direct social relations. The above-mentioned differences disappear during the creation of the *material and technical base of communism* and the intensification of the social character of production, development of the ownership of the means of production by all the people, consolidation of the ties between *state socialist* (*belonging to all the people*), and *collective farm-and-cooperative property*, their gradual drawing closer together and subsequent merging into single communist property. A single degree of socialisation of

the national economy is thus achieved. At the highest stage of the *communist mode of production*, the direct social regulation of production and labour is developed to the maximum. It differs radically from the regulating measures applied by bourgeois states under *state-monopoly capitalism*. The latter consist mainly in the use of the inverse economic effect of the relations of distribution and exchange (through the budget, finance and credit institutions) on the production process in the interests of capitalists and do not affect the dominant relations of private appropriation of the means of production; they do not, therefore, eliminate the spontaneity of economic development. They are aimed at increasing the production of *surplus value* and expanding and intensifying the exploitation of the working people.

Discipline, Planning, strict adherence to plan indices for socio-economic activity by economic bodies, enterprises (associations) and their divisions, and also by individual workers, a major prerequisite for the normal functioning of the socialist economic system, greater *efficiency of socialist production and quality of work*, and for high final results. It is ensured by public ownership of the means of production and by the planned nature of the socialist economy (see *Law of Planned, Balanced Development of the Economy and Planned and Balanced Development of the Socialist Economy*). The plans are binding; once approved, they acquire the force of law and must be implemented. Planning discipline is conscious in that it is based on a profound inner conviction of the working people that all plan assignments must be fulfilled for the benefit of society. The role of planning discipline increases with the scale and *specialisation of production*, expansion of cooperation, and increased interdependence between economic units. In this context one unit's failure to fulfil the plan can disrupt the operation of many interlinked ones; failure to meet some plan target leads to similar failures with other targets. The result is a loss of working time and material wealth and a slowing down of

the growth rate of the economy and public welfare. Disruptions of planning discipline are observed in the preference of departmental and local over national and state interests, in a failure to follow the established procedure and meet deadlines in drawing up plans; in adjustment of plan targets to the actual lower level achieved; in failure to honour commitments to the state, economic agreements, and schedules; and in slackened controls and verifications of plan implementation. A major role in the measures to strengthen the planning discipline is played by ensuring the sound, balanced nature of plan targets, a rational combination of sectoral and territorial development, long- and short-term plans, and improvement of inter- and intra-industrial proportions. The responsibility of industrial associations (enterprises) for carrying through the plans for production supplies in compliance with signed agreements (orders) and their interest in doing so are now being increased in the USSR. Thus, it has been found necessary to evaluate the results of the economic activities of industrial associations (enterprises) and encourage them economically, depending on the extent to which they honour their production commitments in the required range of goods for production and consumer use by the deadlines specified in the agreements (orders), increase *labour productivity*, the *quality of output*, and profit (in some industries, also reduce production costs). Production associations (enterprises) change to *direct long-term economic ties* on the basis of five-year agreements between the parties. In formulating an annual plan customers and suppliers get together to agree on the product-mix to be delivered. The system of material and moral incentives is designed to encourage work collectives to meet the plan targets to the full and with the highest possible efficiency. The material responsibility of industrial associations (enterprises) and organisations for honouring their commitments and delivery of the entire range of products of the specified quality to the customer on time is being stepped up; in particular, more specific sanctions are being introduced for violating

agreements and payment relations between partners. One important way to improve planning discipline is development of the creative activity of the working people, their education as masters of social production (see *Participation of Working People in Economic Management*), and *socialist emulation*. Planning discipline is closely related to *labour discipline*.

Distribution, an aspect of *relations of production* linking *production* and *consumption*, a necessary phase in the process of the *reproduction* of the social product. It incorporates the distribution of *means of production* and *consumer goods*, the *necessary product* and the *surplus product*. The nature, principles, and forms of distribution are dictated by the prevailing *mode of production*. Under capitalism, distribution is antagonistic because the means of production are in the hands of private owners and serve as tools for exploiting the working people and enriching the exploiters. Much of the new value, created by the workers, is usurped by the capitalists. Therefore the working people have to fight continuously to ensure their subsistence. In socialist society, distribution is planned in the same way that production is. Of vital importance is ensuring balanced and stable economic development, and distribution, in response to social needs, of the means of production and consumer goods among units and sectors of social production, between the material and non-material spheres, the consistent application of the *law of distribution according to work done*, etc. Distribution of the *aggregate social product* is the starting point and material basis of expanded socialist reproduction (see *Reproduction, Socialist*), and dictates its proportions and rate. Part of the aggregate social product is used to restore the consumed means of production. Another part comprises the *national income* which is distributed to benefit the entire society by maintaining the optimal ratio of accumulation and consumption (see *Accumulation Fund*; *Consumption Fund*). The part of the national income created by *necessary labour* is distributed

through the remuneration for that labour according to its amount and quality and through *social consumption funds*. As a consequence, the entire product created by the working people is distributed in their interests. Under socialism, distribution is an important incentive of social production. There is no antagonistic conflict between socialist production and distribution. The non-antagonistic contradictions which arise as they interact are consciously and systematically overcome by society through the constant improvement of distribution relations as the nature and scale of production change. The groundwork for the introduction of the communist principle of distribution is prepared by the all-round development of the forms of distribution prevalent in developed socialist society.

Distribution of Socialist Production, planned and balanced distribution of the productive forces throughout the country, the spatial long-term planning of the development of the economic branches. Public ownership of the means of production makes it possible to distribute socialist production in a scientifically sound way in conformity with objective *economic laws*. Among the basic principles of the distribution of socialist production are: its planned and balanced character, recognition of the status of science and technology, comprehensive economic development of the country's regions, location of enterprises close to the sources of the raw materials and to consumer areas, and the rational division of labour among economic regions. The balanced distribution of productive forces economises on the social labour and makes it more productive, accelerates the development of economically less developed regions, eliminates long and irrational transport, resolves the socially important problem of overcoming the *essential distinctions between town and country*, etc. The establishment and development of *territorial-production complexes* is a salient feature of the economy of developed socialism in the USSR. A tremendous contribution to the development of productive forces in East

Siberia and the Far East will be the completion and opening of the Baikal-Amur Railway. Once the world socialist system emerged, the Leninist principles of distribution of production became internationally recognised. Socialist economic integration makes possible the international socialist division of labour (see *Division of Labour, Socialist International*), the rational combination within the *world socialist economic system* of certain proportions of the economic development of individual countries and the entire system, and a highly efficient and balanced international socialist economy.

Diversification, penetration by large monopolies of industries having no direct production link with and not functionally dependent on the main sphere of the monopolies' activities. The goal is to expand the range of commodities manufactured by enterprises and associations. The scale of diversification expanded particularly after World War II. Many large monopolies today manufacture products of numerous industries. Thus, the list of General Electric products exceeds 200,000. Among the reasons prompting the monopolies to diversify are a desire to step up marketing, reduce dependence on the market situation, search for new applications of accumulated capital because the demand for earlier products is sluggish, since demand changes fast in the context of the revolution in science and technology. Diversification is enhanced by a desire to reduce the risks involved in production activities under capitalism, and to assuage the consequences of economic crises. As a result of diversification, the large industrial company of today is a complex multi-industrial organisation. Diversification aggravates competition between monopolies. While expanding, on the one hand, the potential for inter-industry capital migration and promoting to a certain extent the flow of capital from less to more profitable industries, diversification sets on a collision course monopolies that are striving to penetrate one and the same industry, as well as those that are trying to oust from a certain industry monopolies that have long

since dominated there. Take-overs of companies that have operated in the sphere by the largest monopolies result in the formation of mammoth monopoly companies known as *conglomerates*.

Dividend, the income payable to a shareholder. Only some of the profit reaped by the joint-stock company is distributed as dividends, the remainder being used for accumulation, the payment of government taxes, etc. The size of the dividend depends on the profit and on the number of shares issued and, as a rule, exceeds the loan *interest*. This makes share purchases attractive for owners of money capital. The bulk of the income in the form of dividends is paid to tycoons of the financial oligarchy, who hold most of the shares. The amount paid as a dividend on common shares depends on the profit received by the stock company in the current year, while the amount paid for preference shares is set up as a fixed percentage, independent of current profits. If the company is liquidated, the holders of preference shares receive the funds they invested at par value. The size of the dividend is very sensitive to market fluctuations. It varies most during *economic crises of overproduction* and ensuing stock market collapses.

Division of Labour, see *Social Division of Labour*.

Division of Labour, Capitalist International, the highest stage of the development of the *social division of labour* under capitalism, when individual capitalist countries specialise in making and exchanging products of certain kind. It is the basis of the *world capitalist market* (see *World Market, Capitalist*) and of other forms of economic relations between capitalist countries, and is the factor of integrating their economies into the *world capitalist economic system*. The capitalist international division of labour assumed developed forms in the mid-19th century following the appearance in European countries of large-scale machine industry, which demanded the import of vast

quantities of raw materials and foods for the rapidly growing urban population. Large-scale machine industry increased the scope of production and led to greater specialisation in industry itself which began to extend beyond national borders. The need for international specialisation has especially intensified with the advent of the modern scientific and technological revolution, since it is impossible in individual countries to produce on a mass scale the constantly increasing range of all modern industrial products. The capitalist international division of labour encourages the further development of the productive forces and higher labour productivity, which in the capitalist world helps to increase monopoly profits. The international division of labour under capitalism first evolved spontaneously in the acute competitive struggle between capitalists and then — between the monopolies of different countries. The successes of the capitalist class, with its higher technical level of production, in winning the world market led to the ruin of small-scale handicraft production, especially in the economically less developed countries of Asia, Africa and Latin America. In the epoch of imperialism the *export of capital*, the formation of international monopolies, as well as the appearance of the colonial system (see *Colonial System of Imperialism*) tended to make colonial and dependent countries the agrarian and raw-material appendages of the imperialist powers. As a result, the capitalist international division of labour assumed an abnormal character: on the one hand there was a relatively small group of industrially developed European and North American countries and on the other a group of backward agrarian and raw-material countries with the greater part of the population of the capitalist world. The capitalist international division of labour becomes a weapon for the imperialist powers to exploit the economically weak countries. Many of the colonial and dependent countries were compelled to specialise in the production of one or two raw materials or farm products. This makes them wholly dependent economically on the imperialist powers, thus creating con-

ditions for their exploitation by the monopolies through non-equivalent exchange. With the current *general crisis of capitalism* the capitalist international division of labour is going through a period of agony. Countries which chose socialist development have left it. Between them relations of a new type have evolved — the international socialist division of labour (see *Division of Labour, Socialist International*). But even so, they also take part in the *world division of labour*. The countries which have freed themselves from colonialism, which have begun to create the foundations of their national economy and which are calling for a *new international economic order*, are trying to change their status in the capitalist international division of labour. The development of the productive forces influenced by the scientific and technological revolution has produced the tendency of a deeper division of labour between the developed capitalist countries, and that of international intra-industry specialisation. This finds its reflection in the considerable increase of international trade in industrial goods. The increased export of capital from one developed capitalist country to another, the growing role of the *transnational monopolies* and *inter-national monopolies* enhancing specialisation and cooperation between their enterprises in various countries, play a key role in this process. Inter-company cooperation and the establishment of interlocking groups also deepen the division of labour among capitalist countries. The growing economic links between the developed capitalist countries in connection with the deepening division of labour between them do not at all weaken capitalist contradictions, only heighten them, making the capitalist economy more vulnerable in cyclical crises of overproduction.

Division of Labour, Socialist International, an international division of labour of a new kind, which has evolved in the economic, scientific and technical co-operation between the socialist countries. Its essence lies in the creation of the most rational and effective system of territorial

distribution of production on the scale of the entire world socialist economy. The socialist international division of labour is an objective economic process expressed in the growing interrelation of the national reproduction processes of the countries of the *world socialist economic system*. Its main principles are: correct estimation of the objectively necessary proportions of economic development of the individual countries and the world socialist system as a whole; full equality, mutual respect, independence and sovereignty and fraternal assistance in the interests of both the general development of the productive forces of the entire world socialist system and of each country. The socialist international division of labour enables the socialist countries to use to the maximum their labour and material resources and the advantages of the world socialist system, strengthening its economic might and defence capability. The objective of this international division of labour is to raise the *efficiency of social production*, to achieve high rates of economic growth and the greater well-being of the working people in all socialist countries, and to gradually overcome the historical differences in their levels of economic development (see *Evening Out (Rapprochement) of Economic Development Levels of the Socialist Countries*). The deepening of the socialist international division of labour does not result in an imbalanced development of the economy of the socialist countries. Interrelated and mutually complementary economic sectors: heavy industry, agriculture, extracting and processing industries, the production of the means of production and of consumer goods are being created in every country in accordance with its natural, historical and economic conditions. However, this does not mean that the economy is developing in a way that each country can become economically self-reliant. Relying on the socialist international division of labour, the fraternal countries are initially developing sectors of production most suitable to them. The combination of the international division of labour with the development of national economic complexes ensures the fullest use of

the *productive forces* of every country and of the entire socialist system. The socialist international division of labour is planned with due account of the *world division of labour*. Developing economic ties with all countries of the world, socialist countries thus strengthen the material foundation of peaceful coexistence between countries with different social systems. Today the world socialist economic system provides excellent opportunities for the deeper division of labour between the participating countries, especially through specialisation and cooperation of production and using their advantages more rationally. The *Council for Mutual Economic Assistance (CMEA)* is the most important body working to extend the socialist international division of labour in various forms. With socialist economic integration (see *Integration, Economic Socialist*) the socialist international division of labour progresses to a qualitatively new stage. The elaboration of the *long-term special co-operation programmes* is a graphic expression of this. The division of labour is planned with consideration for maintaining the material, manpower and financial resources of the socialist community at a dynamic balance. The socialist international division of labour is the most profound objective foundation for the development of the integration process.

Dogmatism, in political economy, a formalistic interpretation of scientific maxims and conclusions as a set of invariable truths, concepts, formulas and definitions. Dogmatism is alien to dialectics, for it is rooted gnoseologically in the metaphysical mentality, anti-historicism, and in the divorce of theory from social practice. Dogmatism draws on ossified categories and general propositions without regard for the time, location or specific historical context, and employs rigid schematism in its reasoning. The dogmatic approach to theory distorts its content and makes impossible its creative development through the study and generalisation of new economic facts and phenomena. In science, dogmatism as a way of thinking preys on the immaturity of

theoretical solutions and methodological imperfections. In capitalist society, dogmatism finds a favourable social response in the class-limited world outlook and theoretical thinking of the ideologists of various bourgeois strata, which, in political economy, is most pronounced in its apologetic constructions. When dealing with economic categories and laws, all bourgeois theories dogmatically assume that man is by his unchanging nature a private owner and that private property is the natural and eternal basis of production and of economic and social progress. This is the main dogma of bourgeois political economy, which "discovers" in the laws of capitalism the universal, suprahistorical laws of economic development, the "eternal truths", which inevitably turn into theoretical dogmas. The most varied and even mutually opposing theories are merged into one by bourgeois political economy because, in all of them, "the capitalist régime is looked upon as the absolutely final form of social production, instead of as a passing historical phase of its evolution" (Karl Marx, *Capital*, Vol. I, p. 24). The same stand was taken by classical bourgeois political economy, which viewed economic categories and laws as eternal and invariable. The vulgarisation of bourgeois political economy in the works of David Ricardo's epigones was, in essence, the accelerating rejection of scientific components and its transformation into a collection of lifeless, pedestrian postulates. A genuinely revolutionary turning point in the economic science was the creation of Marxist political economy. Not only did it enrich the science; it radically changed the very way of theoretical thinking by using the method of materialist dialectics. This made possible a comprehensive analysis of the economic structure of society in its real historical development. For the first time, economic laws and categories were presented as scientific abstractions representing real economic relations in their evolution and remaining true as long as these relations exist, rather than as eternal static logical truths derived from invariable human nature. This approach destroyed the very foundations of dogmatism in

economic theory. "Our theory," Engels wrote, "is not a dogma but the exposition of a process of evolution, and that process involves successive phases" (Marx, Engels, *Selected Correspondence*, p. 376). Any manifestations of dogmatism in political economy destroy its vital essence, making it one-sided, distorted and dead, and undermine its method, dialectics, which is the science of comprehensive and conflict-torn historical development. Defending and developing creative Marxism, Lenin resolutely opposed its "mere memorising and repetition of 'formulas', that at best are capable only of marking out *general* tasks, which are necessarily modifiable by the *concrete* economic and political conditions of each particular *period of the historical process*" (V. I. Lenin, *Collected Works*, Vol. 24, p. 43). In socialist society, where no antagonistic classes exist and Marxism-Leninism is the dominant world outlook, dogmatism is socially and ideologically uprooted, but it does not cease to exist automatically once the social conditions have changed. Immaturity of parts of a theory, weakness of its links with practice, an unhistorical approach to economic phenomena, and insufficient development of the dialectical method as applied in a given field of research give rise to manifestations of dogmatism in theory. Dogmatism in economics, or any other science, can therefore only be overcome through a constant struggle against any manifestation of it by strengthening the ties between theory and practice. The CPSU consistently fights all such manifestations, which distort Marxist-Leninist theory. At the same time, it resolutely exposes opportunistic attempts to revise the vital essence of Marxism-Leninism and its revolutionary principles under the guise of a struggle against dogmatism. The Party has waged a Leninist uncompromising struggle against dogmatic distortions of the Marxist theory, "leftist" doctrinairism and revisionism in any guise.

Dual Nature of Labour, a specific social property human labour acquires in commodity production. The labour that helps create a commodity is, on the one hand,

concrete labour and, on the other, *abstract labour*. This duality gives rise to the dual nature of the commodity, in that concrete labour creates its *use value* and abstract labour, its *value*. The dual nature of labour is an expression of production relations between people, of the actual contradictions inherent in commodity production. In the context of *simple commodity production* the contradiction between concrete and abstract labour exists as antagonism between private and social labour. This leads to differentiation of small commodity producers, to transformation of simple commodity production into capitalist production, where the antagonism between social and private labour reaches its peak. Under socialism, the core of which is social ownership of the means of production, private labour ceases to exist. Labour becomes directly social in nature. The contradiction between concrete and abstract labour is no longer antagonistic. Under these conditions, the discrepancies that may arise between concrete and abstract labour are overcome through planned management of production development by society, the socialist state. Once the transition to communism is complete, the direct social nature of labour will become fully mature, and the product of labour will no longer be a commodity, and when the commodity withers away, the dual nature of labour embodied in it will cease to exist. Marx was responsible for the scientific discovery of the dual nature of labour, which provides the methodological basis for Marxist-Leninist economic theory. The enigma of capitalist exploitation, the process of creating surplus value, could not be unravelled unless the dual nature of labour and the functional significance of both its aspects were revealed. Thus, Marx demonstrated that, by his concrete labour, the worker maintains the value of the means of production in the product of his labour and by his abstract labour, he creates a new value exceeding the value

of his labour power. Under capitalism, the contradiction between social and private labour becomes the *basic contradiction of capitalism* which is an expression, in particular, of the irreconcilability of the interests of the bourgeoisie and its grave-digger, the proletariat.

Dumping, the sale of commodities on the markets of other countries at prices significantly lower than the average, occasionally below production costs, the purpose being to harm the national production in those countries. Monopoly capital often resorts to dumping in the battle for foreign markets. Dumping acquires an especially large scale in the period of the *general crisis of capitalism*. Inside their own countries, the cartels sell their products at high monopoly prices while selling the same products abroad at rock-bottom prices in order to ruin the competitor while maximising their own production. Dumping aimed at the seizure of foreign markets results in lower living standards for the working people of the monopoly's own country, because high monopoly prices are maintained while taxes grow. On the other hand, in the countries where the commodities are dumped, the conditions for the national economy to grow deteriorate and unemployment increases. Commodities are sold at rock-bottom prices for only just long enough to eliminate competitors. Once new markets have been won, the monopolies usually inflate their prices to a level that enables them to offset the losses of dumping sales and obtain extra profit. Today, monopolies make full use of the state for consolidating their positions on foreign markets. Monopoly exports are often subsidised from the state budget. Dumping and state-subsidised exports lead to large-scale trade wars involving many countries; countries respond to dumping prices with protectionist measures. Dumping further exacerbates the internal and external contradictions of imperialism.

E

Ecological Crisis, damage to the environment, virtually impossible to eliminate, and caused in the capitalist world by the irrational, rapacious exploitation of natural resources by the imperialist monopolies; it has reached such dimensions that it has become a threat to health and an obstacle to increasing food resources and industrial production. The ecological crisis manifests the deep contradictory character of the way capitalist society makes use of scientific and technical progress, and the decay of capitalism; it leads to disbalance in the development of the *productive forces*, being an important factor of the deepening *general crisis of capitalism*. In the capitalist countries, the exploitation of natural resources with the exclusive aim of boosting profits has led to the tremendous pollution of the soil, water and air. This is most evident in the United States, which, with only 6 per cent of the world's population, is responsible for 40 per cent of the world's environmental pollution. Pollution in other capitalist countries has become extensive as well. Sharply intensified air pollution, a steadily deteriorating quality of drinking water and foods, higher noise levels and nervous stresses connected with increasingly chaotic city traffic plague the working people of the capitalist countries. The ever-growing scale of destruction of certain natural resources is the most important manifestation of the ecological crisis. In the last fifty years, nearly 40 animal species have become completely extinct in the capitalist world and another 660 species are endangered. In the capitalist countries, the lack of fresh water is heightened because of pollution and the tremendous increase in industrial and household consumption. Capitalist production is faced with a shortage of certain mineral resources, oil, in particular, because of their rapacious exploitation. The bourgeois state does take certain measures to

control the environment and to reproduce certain natural resources, with the monopolies trying to shift most of the environmental protection expenditures onto the shoulders of the state. The working people in the capitalist countries are active in the efforts to protect the environment and demand that the government take strict measures against the monopolies which are responsible for the pollution. Environmental protection is a global task, and it cannot be resolved without extensive international cooperation which the socialist countries have always called for. Overcoming the ecological crisis presupposes the planned development of production on the basis of strict assessment of the availability of natural resources and the state of the environment, which is impossible under capitalism. Therefore, the struggle of the working people for a healthier environment merges with their struggle for radical social and economic change.

Economic Agreement, the main form of legal organisation of economic relations between production associations (enterprises) which supply the products, and the purchasers of those products, as well as between production associations (enterprises), scientific, supply and sales organisations, trade and transport establishments. In the USSR, the economic agreement is an important instrument of planning, of the organisation of production, and of the supply and sales of products. It guarantees enterprises and organisations stable plan-regulated economic relations as they evolve and fulfil plans of producing and selling goods. The agreement makes it possible to dovetail the interests of both producers and purchasers with due account of the conditions of manufacture and consumption. The economic agreement specifies qualitative and quantitative indices of manufactures, and the terms of their production and sale on the basis of five-year and annual plan assignments. The agreement on the delivery of goods is the most common economic agreement. It gives the name, quantity and expanded range of items to be delivered, their price, the vol-

ume of delivery (its value), the terms of delivery, special conditions of delivery, the procedure of settling accounts, tender for payments and purchases, the general term of operation of the given agreement, and other terms. Suppliers and purchasers alike are materially responsible for the fulfilment of economic agreements. With *direct long-term economic ties* between individual industrial associations (enterprises) and also between them and material and technical supply organisations, and transport and trade enterprises and organisations, the agreement is concluded for a five-year term. Ministries and departments and the State Committee for Material and Technical Supply work out and approve lists of products for production and technical purposes, making the basis for agreements on their delivery. The delivery of products on the basis of the concluded agreements is an important criterion of the *final results of production activity* of associations and enterprises, and is taken into account in the system of economic incentives when the incentives funds are being formed, as well as when rewarding the managerial staff of associations and enterprises.

Economic Categories, "the theoretical expressions, the abstractions of the social relations of production" (K. Marx, F. Engels, *Collected Works*, Vol. 6, p. 165). Every economic category is a logical concept, which in an abstract way characterises the essence of a certain economic phenomenon. The categories of capital, price, production assets, requirements, work and free time, etc. are examples of scientific abstractions. Economic categories are objective, since they reflect the essence of objective phenomena in a general way. Economic categories are historical, and change along with the *relations of production* they express. They are "as little eternal as the relations they express. They are *historical and transitory products*" (K. Marx, F. Engels, *Collected Works*, Vol. 6, p. 165). The historical character of economic categories means that when one *mode of production* is replaced by another, political economy either evolves

new economic categories expressing the essence of its production relations, or retains the former categories, although their content will have changed in principle. Categories such as commodity, money and wages, whose contents are different under capitalism and socialism, are pertinent examples. These categories are the theoretical expression of the relations of production corresponding to the given modes of production. Thus wages, which under capitalism are the transmuted form of the cost of the commodity of labour power, in socialist society are a concrete form of distribution according to work, the monetary expression of the main part of the necessary product manufactured at state enterprises and distributed among the workers in accordance with the quantity and quality of their work. Economic categories, of which each one expresses the essence of a definite group of economic relations, are closely dovetailed. The totality of the economic categories of the given mode of production characterises its inner economic structure. Thus, the aggregate of socialist economic categories forms the logical expression of the essence of the economy of communist society in its first stage. As the socialist relations of production are increasingly understood, political economy more fully formulates economic categories and brings out their interrelations. This interrelation of categories reflects the links between the various aspects of production relations of a certain social system. Social activity under the communist mode of production relies on understanding the *economic laws* and using them in the interests of society and each of its members. There is a close link between economic laws and categories. Economic categories basically reflect the solid and stable cause and effect connections and relationships which make up the content of objective economic laws. Economic categories are important because they help reveal the essence of the relations of production and the real content of economic processes, to cognize and use the objective economic laws of socialism, and to direct accordingly the people's activity to attain the objectives posed.

Economic Competition Between Socialism and Capitalism, a form of the class struggle between the two opposing social systems in the principal field of human endeavour — the sphere of material production. The main indicators in economic competition are: growth rates of social production and *national income*; growth rates and level of the *labour productivity*; per capita production of industrial goods and farm produce; *living standards* and the satisfaction of people's social requirements; indicators of *scientific and technical progress*, etc. The best conditions for competing with capitalism emerge in the context of peaceful coexistence between states with different social systems and *detente*, which make it possible to graphically show and make use of the advantages of the new social system over the capitalist economic system. In the course of economic competition, the USSR and other socialist countries are quickly overcoming their historical lagging behind the developed capitalist countries in the level of economy and are steadily advancing towards economic superiority. Today the economic competition is conducted between the two world economic systems and also on a regional scale (for instance, between the EEC and the CMEA) and between individual socialist and capitalist countries (USSR-USA, GDR-FRG, Bulgaria-Greece, etc.). The socialist countries aim at surpassing the capitalist world in per capita output of industrial goods and farm produce on the basis of higher efficiency of production, in the productivity of social labour and in living standards. In the age of the *scientific and technological revolution*, competition between the socialist and capitalist worlds in developing science and technology and the rate of scientific and technological progress assumes particular importance. This involves introduction of the achievements of the scientific and technological revolution into production, the development of high technology, and creation of a progressive and effective branch and territorial infrastructure of production. The socialist countries are resolving the historical tasks of the economic competition with capitalism on the basis of using both

the advantages of the new social system in each country and the advantages of mutual economic cooperation and socialist economic integration (see *Integration, Economic Socialist*). The socialist system has proved its superiority over the capitalist system in economic growth rates — the general indicator of the development of production, determining the ultimate outcome of economic competition in favour of socialism. Thanks to the dynamic development of social production, the socialist countries are increasing their share in world industrial output. The Soviet Union now heads the world in the production of major products (oil, coal, iron ore, pig iron, steel, mineral fertilisers, tractors, cement, woolen fabrics, leather footwear, etc.). The socialist countries have higher labour productivity growth rates than the capitalist countries, and on this basis are steadily raising the people's material and cultural standards. As regards many indicators of living standards, especially satisfying social requirements (medical care, education, social security, leisure, etc.), the Soviet Union has outstripped the United States and the rest of the capitalist world. In general calorie consumption, Soviet diet corresponds to the accepted physiological standards. Between 1966 and 1980, per capita consumption of meat and meat products in the Soviet Union increased by 41 per cent; milk and milk products — 25 per cent; eggs — nearly 100 per cent; vegetables — 35 per cent; vegetable oils — 24 per cent; and sugar — 30 per cent. At the beginning of the 1980s, the CPSU set the following task: using the country's expanded economic capability to ensure a steady supply of all kinds of foods and in the shortest possible time considerably improve the diet structure in the direction of the most valuable products. In the socialist countries, *unemployment* has been eliminated for good, and every member of society is guaranteed the right to work. Society grants him broad opportunities for raising his qualifications and receiving an education, and for his inner development. The course of the economic competition graphically demonstrates that socialism alone rids the working people of exploi-

tation and all forms of oppression, social insecurity and unemployment, and creates the most favourable conditions for a happy life and the all-round development of all members of society. This in the final analysis has a decisive impact on the further unfolding of the struggle of the working people in the capitalist countries for their social liberation, accelerates the revolutionary transition from capitalism to socialism, and brings closer the victory of the new social system on the world scale. The USSR and fraternal socialist countries pursue the Leninist policy of peace, consolidation of security and broad international cooperation, which is the important condition of success for the socialist system in the economic competition between socialism and capitalism.

Economic Cooperation Between Socialist and Developing Countries, diversified economic links between these two groups of countries aimed at helping to establish the economy of the developing countries. Over the last 15-20 years, close economic relations have been established between the socialist countries, including the Soviet Union, and the developing world. This was prompted by the tempestuous economic growth of the world socialist system and by the fact that a large group of formerly colonial countries won political independence. In nature, these links are relations of a new type which are radically different from the economic relations existing in the capitalist world. The Soviet Union develops broad economic, scientific and technological cooperation with the newly free countries, which benefits both parties. The construction in the developing countries of big economic projects with this or that form of Soviet participation occupies prominent place in this cooperation. In its economic policy *vis à vis* the developing countries the USSR and other socialist countries strive to assist those forces which have chosen socialism. The socialist community's links with the countries of Africa and Asia which have chosen a *non-capitalist path of development* are becoming increasingly diversified. To help the developing countries achieve economic inde-

pendence and eliminate economic backwardness, the USSR and other socialist countries provide them extensive aid aimed at diversifying their economies and establishing modern industries. Industrial facilities which the USSR has helped build in the developing countries are in many instances the foundation of national industrial development. Granting credits on extremely favourable terms to build major economic projects which serve as a means of strengthening the state sector, is an important form of economic cooperation between the socialist and developing countries. The socialist countries assist in training personnel, above all at their own institutes and vocational schools. This plays an important role in the economic development of the newly free countries and in their technological progress. The CMEA countries have established a scholarship fund for assisting developing countries in training their personnel at institutes in the CMEA countries. The socialist countries also assist in the development of higher and vocational education in the newly free countries themselves. The focus is on training skilled workers. This is done at practically every project which the Soviet Union and other socialist countries help build. Mutually advantageous trade between socialist and developing countries, as a dynamic sector of *international trade*, is being widely expanded. The socialist states provide the developing countries with machines and plant they need to develop industry and transport, mechanise agriculture, etc. Alongside this, economic ties with the developing countries help the Soviet Union and other socialist countries to solve their own economic problems and receive many goods they need. The socialist and developing countries expand their scientific and technological cooperation, including joint scientific research, production specialisation and cooperation, building projects on a compensation basis, establishing mixed companies, etc. Comprehensive economic cooperation with the socialist countries is an important factor in building up the economy of the developing countries; it improves their positions in the struggle against imperialism and *neocolonialism*,

for a new international economic order.

Economic Crisis of Overproduction, a phase of the capitalist cycle in which the basic proportions of reproduction that were disturbed during the development of the capitalist economy are restored forcibly and temporarily. Economic crises involve an absolute fall in production, reduced capital investment, rising unemployment, an increase in bankruptcies, lower share prices, inflation and other economic woes. The *basic contradiction of capitalism* is the principal cause of the economic crises of overproduction. Capitalist production, because of the *social division of labour, concentration of capital and centralisation of capital*, becomes increasingly socialised. But because of the private ownership of the means of production, social production is subordinated to the interests and will of private owners who strive to make maximum profits. It is this striving that leads to the growth or reduction of production of one product or another. As Marx pointed out, "The contradiction between the general social power into which capital develops, on the one hand, and the private power of the individual capitalists over these social conditions of production, on the other, becomes ever more irreconcilable, and yet contains the solution of the problem" (K. Marx, *Capital*, Vol. III, p. 264). But as long as this relation is preserved, the contradiction between social character of production and private form of appropriation of the products of labour, although it cannot be resolved completely, is resolved partially, and manifests itself in economic crises of overproduction, giving capitalist production a cyclic character (see *Cycle, Capitalist*). These crises occur with the inexorability of an objective law. A number of contradictions, ensuing from the main contradiction of capitalism, bring the capitalist economy to overproduction crises. Under capitalism, the possibility of using the *productive forces* in accordance with their social nature is limited by the narrow framework of individual enterprises, companies or corporations. It is only there that economic processes are consciously organised, while

anarchy (see *Anarchy of Production*) reigns in capitalist social production on the whole, fragmented among individuals or companies. Capitalists manufacture their commodities without bothering to consider *effective demand* and social requirements for them. Meanwhile modern technology and science allow owners to rapidly increase production by increasing the *labour productivity* and lowering production costs. The inexorable laws of competition that threaten doom to those who fail to keep up, make this an unconditional necessity. The market's ability to extensively and intensively expand is displayed, however, with less vigour. Hence, constantly arising gigantic disproportions of the capitalist economy are inevitable. Therefore, as Lenin pointed out, "for capitalism there must be a crisis so as to create a constantly disturbed proportion" (V. I. Lenin, *Collected Works*, Vol. 3, p. 618). Disparity between production and consumption, the relative narrowness of consumption of the masses compared to the possibilities of production, is one of the most characteristic disproportions of the capitalist economy. The relative and at times absolute drop in the purchasing power of the working people becomes an insurmountable barrier to the unrestrained growth of capitalist production; manufactures cannot be sold, and it becomes difficult to market the social product; production declines and an economic crisis of overproduction sets in. But this overproduction is relative. The consumer power of capitalist society depends not on the absolute demand of that society for consumer goods, but on the share of the *national income* at the disposal of the working people, i. e. on the antagonistic relations of distribution. The desire to derive as much *profit* as possible compels capitalists to improve machines and production technology. However, the growth of the *technical composition of capital* and the *organic composition of capital* in the final analysis leads to a drop in the *rate of profit*, thus cooling incentives to expand production and reducing the demand for additional means of production. This also leads to an overproduction of the means of production. Economic crises

graphically show capitalism's rapacious attitude to social wealth and the productive forces. While partially resolving capitalist contradictions, overproduction crises at the same time further aggravate them. To influence the process of social production bourgeois governments use methods such as the *militarisation of the economy of capitalist countries*, subsidising of the monopolies with the taxpayers' money, tax and credit regulation, etc. But such measures can only yield a partial effect. Methods of state-monopoly regulation are powerless in the face of anarchy both in these countries and on the scale of the *world capitalist economic system*. This is testified in part by the 1974-75 economic crisis of overproduction, which swept the entire capitalist world and which in force and depth can only be compared with the 1929-33 crisis. In the early 1980s, the economy of several capitalist countries once again entered a crisis period. Throughout these years, the general crisis of capitalism continued to deepen. Capitalism, of course, has not stopped developing, but it has experienced three slumps between 1970 and 1980. This refutes the theories of bourgeois science and modern revisionism of the possibility of crisis-free capitalist development and the ability of the monopolies and bourgeois states to eliminate crises. Modern capitalism uses the scientific and technological revolution to expand the social character of production; it intensifies the conflict between the productive forces created by it and the capitalist relations of production.

Economic Division of the World, one of the most important economic features of *imperialism*; a system of accords between the monopolies of the imperialist powers on the division of the world capitalist market (see *World Market, Capitalist*). The monopolisation of the economy of individual capitalist countries by the biggest companies and their emergence on the world market as a result of the increased *export of capital* and the expansion of other forms of foreign economic ties prepared the ground for the division of the

principal commodity markets. Much of the manufacture and sale of many products on the world scale was in the hands of a small group of the biggest monopolies of the imperialist powers, thus creating conditions for establishing international *cartels*. Lenin said that the establishment of international cartels was "a new stage of world concentration of capital and production, incomparably higher than the preceding stages" (V. I. Lenin, *Collected Works*, Vol. 22, p. 246). He said that the main objective of the international cartels is to obtain monopoly-high profits. To this end markets and raw material sources were distributed among the participants, and monopoly-high or monopoly-low prices fixed. To raise prices, international cartels often agreed to limit growth or even reduce production, and retarded scientific and technological progress. In 1897, there were 40 international agreements on the division of world markets; in 1910, the number increased to 100; and by the beginning of the 1930s, it went up to 320. Prior to World War II, international cartels were the main form of international monopoly. The deepening of the *general crisis of capitalism*, the formation and strengthening of the world socialist system, and the collapse of the *colonial system of imperialism*, drastically changed the setting for the division of world markets by the international monopolies. They completely lost their sway over the countries which began building socialism. The newly free countries joined the struggle against the international monopolies. A mass-scale public movement emerged in the capitalist countries, too, against the activity of international monopolies and their practice of raising prices and retarding technological progress. The movement grew markedly when the collaboration of the international cartels with the fascist regimes was exposed. For these reasons the role of the "classical" cartels in the division of the world capitalist market declined in the postwar period, although, of course, agreements (very often secret and concealed from public view) are still concluded between the biggest monopolies of the imperialist powers on the division of world markets and the estab-

lishment of *monopoly prices*. In the current period, new international monopolies — *transnational* (or *multinational monopolies*) — whose operations spread over the entire capitalist world, are playing an increasing role. In today's complicated, multi-branch production, when developed forms of the international capitalist division of labour (see *Division of Labour, Capitalist International*) are expanding as a result of the extension of intra-branch specialisation and cooperation, much of the capitalist world's production of certain goods is in the hands of the transnationals. This makes them monopolists in these branches, allowing them to dictate their conditions. At the beginning of the 1970s, the transnationals controlled about half of the industrial production of the capitalist countries, and 90 per cent of direct foreign investment. Imperialist integration (see *Integration, Economic Capitalist*) has played a definite role in the economic division of the capitalist world after World War II. It is aimed at creating better conditions for the monopolies of the countries participating in integrational groupings. Bourgeois economists and reformists, particularly Karl Kautsky, tried to prove that the rapid increase in international agreements on the divisions of world markets would lead to imperialism growing into *ultraimperialism* (see *Theory of Ultraimperialism*), in which competitive struggle fades away and the epoch of stable peace emerges. In fact, the division of the world between *trusts*, as Lenin pointed out, "does not preclude *redivision* if the relation of forces changes as a result of uneven development, war, bankruptcy, etc." (V. I. Lenin, *Collected Works*, Vol. 22, p. 248). The achievements of science and technology that constantly result in the appearance of new commodities and changes in the role of the old ones, the development of new deposits of raw materials and the depletion of known deposits, and other factors have an essential effect on the change of the relation of forces of the monopolies and make the recarving of markets inevitable. Where monopoly capital rules, the struggle for the economic domination of the world is

unavoidable and expresses the essence of international imperialist relations.

Economic Efficiency of Capital Investment, an indicator expressed by the increase in *national income* or in *fixed production assets* with the minimum time of the application of the given volume of capital investment. If we take into consideration that beginning from the 11th five-year plan period, *rated net product* has become the most important indicator of the production activity of Soviet ministries, associations and enterprises, the calculation of the effect of capital investment on the basis of national income assumes special importance. Greater economic efficiency of capital investment is decisive for raising the *efficiency of social production*. In the USSR the efficiency of capital investment (EI_{cap}) for the economy as a whole is determined by the relation of the increase in national income (ΔNI) to the capital investment which has provided this increase (I_{cap}), in the fixed assets or to the increase in the fixed assets (ΔA_f).

$$EI_{cap} = \frac{\Delta NI}{I_{cap}} \text{ or } EI_{cap} = \frac{\Delta NI}{\Delta A_f}$$

Since the fixed assets are created over a long period of time and the volume of capital investment during this period changes quite often, the efficiency of capital investment can be measured more precisely by the second indicator. Moreover, the indicator of the absolute efficiency of fixed assets can also be used. In this case EI_{cap} is determined as the relation of the increase in national income to the increase in fixed and turnover assets. This indicator is most general and reflects the efficiency of the entire economy. The period of building and commissioning production facilities is extremely important for making capital investment more effective. This demands taking into account the time lag between the investment of capital and its effect, because the current year's investment does not produce immediate effect on the increase in national income, but does so over a certain period (ap-

proximately from one to three years). Besides the indicator of absolute efficiency, the Standard Methodology also envisages the determining of the normative of comparative efficiency on the basis of the period of recoupment, comparing capital investment and the cost of production by variants. The comparative efficiency rate, inverse to the recoupment period, depends on the volume of accumulation and requirements in capital investment. The greater the accumulation, the smaller the rate, and vice versa, the higher the investment requirements, the greater the rate. When determining the efficiency of capital investment, indicators such as *output-asset ratio*, asset-output ratio, and capital-output ratio are used at all levels. The sectoral structure (for instance, the share of capital investment going into the most progressive industries) has an effect on increasing the efficiency of capital investment, along with changes in the correlation between capital investment going for new construction, and that going for the *expansion and reconstruction* and technical re-equipment of *running enterprises*, and the reduction of the number of incomplete projects. Better planning and boosting the effect of the *economic mechanism* on raising production efficiency and the *quality of work* call for several measures aimed at raising the efficiency of capital investment. They include: reducing the number of incomplete projects to established norms, further improving the structure of capital investment, and increasing the share of expenditures for equipment. The efficiency of capital investment is one of the most important advantages of the planned socialist economy, as it saves resources on the scale of the whole of society. Private ownership of the means of production and spontaneous economic development in the capitalist countries, far from creating conditions for the efficiency of the national economy, largely reduce the effect of capital investment in certain enterprises and monopoly amalgamations.

Economic Efficiency of Introducing New Machines. On the level of individual enterprises, this indicator is expressed in in-

creased production activity, and on that of the entire economy — in a higher *national income*. It is characterised by the ratio of the result obtained from the use of new machines to their production costs. The nation-wide economic effect of introducing new machines characterises the advantage of their use for the overall economy or the degree of satisfaction of social requirements. Cost-accounting effect shows to what extent the cost-accounting activity of enterprises — the producers and consumers of new machines — improves in the quest for the maximum economic effect. In the USSR, economic effect is calculated in accordance with the "Methodology (Main Principles) of Determining the Effect of the Use in the Economy of New Machines, Invention and Rationalisation". Economic efficiency is determined on the basis of the magnitude of annual economic effect from realised initiatives. This magnitude includes the sum of all production resources (live labour, raw and other materials, and capital investment) which the economy receives as a result of manufacturing and using new machines. It is calculated per annual volume of production (work) by comparing the expenditures for the base and new machines. The latter are the sum of the production cost and rated profit of a socialist enterprise:

$$E = PC + CR_{er}$$

where E — expenditure per a unit of product (work), in roubles; PC — production cost of a unit of product (work), in roubles; C — specific capital investment in the production assets, in roubles; R_{er} — rated efficiency ratio of capital investment. To ensure a single approach to the evaluation of the economic effect of new machines (account being taken of the fact that their manufacture requires additional resources in all industries), a single efficiency ratio of capital investment is used, equalling 0.15. When capital is invested over a number of years or when current expenditures and the results of production change considerably due to changes in the operational regime of new machines over the years of mainte-

nance, the time factor is accounted for when calculating the annual economic effect. This is done by tying up to one date (e. g. the beginning of the current year) the lump capital and current expenditures for the development and introduction of new machines and the results of their application. The general indicator of economic efficiency is the difference between the increase of profit (decrease of production cost) obtained due to the introduction of new machines, and the part of capital investments which has brought about this increase, the rated efficiency ratio remaining the same. The indicators of the economic effect of introducing new machines are accounted for in the economic plans of enterprises, associations, ministries, and the economy as a whole over the entire period in which new machines ensure the improvement of technical and economic indicators or the solution of social and other tasks of economic development.

Economic Evaluation of Land under Socialism, evaluation of the useful effect obtained in the process of using land as the principal means of production in agriculture. Economic evaluation is needed not only for improving management in agriculture but also for substantiating the solution of problems in other sectors of the economy. For example, the effectiveness of building electric power stations cannot be fully determined if the extent of the damage caused by flooding huge areas of arable land is not evaluated. The inclusion of the economic evaluation of the flooded lands in the construction outlays helps compare the effectiveness of the given hydro-project against alternative variants, or against a thermopower project. The economic evaluation of land allotted for industrial and civil construction encourages the use of worse plots of land and the development of less expensive projects. It is important for improving the economic mechanism in the agrarian sector of the economy and, above all, for a correct evaluation of the economic efficiency of agricultural production and for comparing the level of economic management in different

regions and sectors. Comparing the result obtained with labour expenditures and material and technical facilities and resources used, without duly evaluating the land, does not yield an objective picture of the *efficiency of social production*. Land is evaluated for substantiating the assignment of the plan of purchases to various districts and sectors, fixing zonal purchasing prices, and regulating other channels of distribution of the *surplus product* and rent profits. It makes it possible to reveal the objective and subjective factors of the growth of production, determine to what extent the results depend on the quality of farm land and the level of economic management. This makes it possible to introduce moral and material incentives. The economic evaluation of land cannot be identified with the *price of land*, which reflects the relations that have evolved in purchasing and selling it. In several Soviet republics and regions, land has been evaluated on a regional scale, which is now employed in dealing with a number of economic questions. But since this evaluation is generally based on different principles, regional indicators cannot be compared. Further elaboration of this problem will help develop a single method of making the economic evaluation of land.

Economic Incentives Funds, the finances of cost-accounting socialist enterprises formed primarily from the deductions from profits and intended to materially encourage higher work indices. In the Soviet Union, there are three funds: the material incentive fund, the socio-cultural and housing fund, and the production development fund. The fund-forming indices and the rate of deductions from profits to the economic incentives funds are set for production enterprises by top-level organisations. To encourage the economic initiative of work collectives and make them more interested in the results of their work, the 1979 resolution of the CC CPSU and the USSR Council of Ministers on improving the economic mechanism plans to form during the 11th five-year plan period (1981-1985) the economic incentives funds on the basis of stable rates approved and differentiated over the years of the plan

period. Rates are set with consideration of the qualitative indices of the work of associations (enterprises). Higher rates of the formation of the economic incentives funds are set for production associations (enterprises) which considerably increase the output of highly effective new machines and plant, and of new consumer items. The management of the association (enterprise) and the trade union committee together determine the concrete ways these funds will be spent. Work collectives actively discuss and decide how finances intended for the development of production and for socio-cultural endeavours, housing and material encouragement will be used. The money from these funds is used strictly as intended. Any unspent money is transferred to the next year and not withdrawn. When associations (enterprises) adopt and fulfill *counter plans* exceeding five-year plan targets calculated for the current year, the rate of deductions to the fund is higher, but if five-year plan targets in fund-forming indicators are not fulfilled — deductions are lower. The material incentive fund (MIF) is formed from profits accruing from higher *labour productivity*, higher quality products (or from any other indicator set for the given branch) and the fulfilment of the plan for deliveries to purchasers in accordance with economic agreements (orders). In certain branches, this fund is formed on the basis of other qualitative indicators too: economical use of material reserves, a higher *output-asset ratio*, shift index of plant and *profitability* of production, and a lower *cost of product*, and in the extracting branches — on the output increase in natural units of measurement. Deductions are made according to rates calculated in a percentage of the profit (rated profit), and in certain branches, of the wage fund of the base year of the five-year plan. The absolute sum deducted for MIF increases or falls depending on the fulfilment of the delivery plans according to the range of goods and terms in accordance with the economic agreements (orders). MIF is used to encourage workers to achieve the set indicators, providing them with bonuses for high annual

results, as well as lump-sum grants. Industrial workers, managerial staff, engineers, technicians and office workers are given bonuses from MIF in accordance with the set bonus systems. Lump-sum grants are given for fulfilling especially important assignments in improving production, introducing new machines, etc. MIF is also used to reward workers for the results of emulation within the enterprise. The socio-cultural and housing fund amounts to 30-50 per cent of MIF. Part of MIF money can also be used for these purposes. The money in the socio-cultural fund is used to satisfy the collective's social requirements: building, expansion and major repairs of houses, preschool establishments, preventive medical centres, canteens, etc., and also to help build cultural and service facilities. Heads of associations, enterprises and organisations are granted the right, following agreement with the trade union committee and with due consideration of the recommendations of work collectives, to use MIF money for providing non-refundable material aid and for the partial repayment of the bank credit for cooperative and individual housing extended to workers with a record of work at an association, enterprise or organisation of at least five years, and to newlyweds, of at least two years. When the worker leaves the enterprise on his own without valid reason or is dismissed for violating work discipline the non-refundable aid or money to pay off bank credit must be returned within five years. The production development fund is formed by deductions from the profit set at a certain rate, depreciation deductions intended for the complete renewal of fixed assets, and finances from sales of superfluous machines and plant (fixed assets). This fund is used for mechanisation and automation, replacement and upgrading of plant and equipment, improving the organisation of production and work, and also on other initiatives involving the technological refitting of production. The cost of the above-mentioned undertakings are fully included in the capital construction plans of the ministries and departments, which provide

the necessary capital investment, material resources and contract work. Undertakings which become necessary when fulfilling the annual plan are financed from the unused part of the production development fund and extra-plan deductions to this fund. The procedure is similar for the initiatives financed from the socio-cultural and housing fund.

Economic Interests, objective motivation of the activity of a class, social group or personality in the system of social production. These are conditioned by the *relations of production* which determine the place and role of different classes and social groups in social production, the character of their interrelations, and the level of the development, possibilities and methods of satisfying their requirements. These relations also determine the content, forms and ways of realisation of objective economic interests. "The economic relations of a given society," wrote Engels, "present themselves in the first place as *interests*" (K. Marx, F. Engels, *Selected Works*, Vol. 2, p. 363). Economic interests are historical and class in character. In capitalist society, private ownership of the means of production gives rise to antagonistic economic interests of the capitalists and the wage labourers. In modern conditions, antagonism between the interests of the overwhelming majority of capitalist society and the financial oligarchy is heightening. The vital interests of the working class coincide with the requirements of progressive social development and express the objective necessity of the revolutionary replacement of capitalism by socialism. That is why the working class is the most revolutionary class, and the leading force of social progress. The revolutionary struggle waged by the working class jointly with other strata of the working people under the leadership of Marxist-Leninist parties for the establishment and development of the *communist mode of production* presupposes no concessions whatsoever to ideological opponents who try to prove that there might be a harmony of interests between the exploiters and the exploited, or that there is no vital contradiction between socialism and capitalism.

It is only socialism which abolishes capitalist ownership of the means of production and antagonistic classes, and affirms the unity of interests of all members of society. The system of the socialist relations of production determines the system of economic interests inherent in the first stage of the communist mode of production. Interests of the people as a whole, and the collective and individual interests of the working people are the main forms (groups) of the socialist economic interests characterised by community and unity. Unity between the various forms of economic interests under socialism leads to their close interrelation and mutual penetration, the economic interests of the whole people playing the leading role. The latter express the aims and tasks of the progressive development of the society of associated producers and accumulate the vital economic interests of the work collectives and of each member of society. The realisation of the vital interests of the individual and the collective is impossible without the realisation of public interest. At the same time it is impossible to realise fully the economic interests of society as a whole or of work collectives without taking into account and ensuring personal interests. Under socialism, the working people are materially interested in economic growth. This engenders new motivations and stimuli for their labour. The unity of vital economic interests does not exclude non-antagonistic contradictions between them, or contradictions within the framework of every group of interests. The socialist state resolves these contradictions by conducting a scientifically substantiated policy arising from the necessity of combining the interests of the entire people, collective and personal interests so as to raise the *efficiency of social production* and the *quality of work* throughout the economy for the fuller satisfaction of the requirements of all the members of society and for their comprehensive development. In economic practice, combining economic interests means the creation of conditions for implementing the principle "What is advantageous for society should be advantageous for each work collective and each worker". A set of measures

to improve economic management and bring the *economic mechanism* in line with the new requirements of mature socialism are being implemented in order to attain the best possible *final results* of work. The system of indices needed to evaluate the quality of work at enterprises, associations and ministries is being improved side by side with raising the scientific level of planning and strengthening the role of *economic levers and stimuli*.

Economic Laws, most essential, stable objective interdependencies and cause-effect relationships in economic processes and phenomena. Economic laws are the laws of development of the relations of *production, distribution, exchange and consumption*. Just like the laws of nature, economic laws are objective and express interconnections and relations which do not depend on people's will and consciousness. Economic laws appear along with the appearance of human society as people begin to produce. That is their fundamental difference from the laws of nature, whose operation is not connected with the establishment and development of human society. As the material conditions of society change and one type of the *relations of production* is replaced by another, certain economic laws cease operating and others emerge. Inherent in every social system is its own set of specific economic laws. The essence of the given relations of production in their aggregate is expressed by the main economic law of the given social system. Other laws express the essential content of certain individual aspects of the relations of production. For instance, in capitalist society, whose principal economic law is the law of production and appropriation of *surplus value*, there necessarily emerge the law of capitalist *competition* and *anarchy of production*, the universal law of capitalist accumulation (see *Accumulation of Capital*), the law of the *average (general) rate of profit*, the law of the *price of production*, and other laws of capitalist production. In socialist society, in

which social ownership of the means of production dominates, the *law of planned, balanced development of the economy*, the *law of distribution according to work done*, etc. appear along with the *basic economic law of socialism*. In real life, economic laws operate not in isolation from each other, but are closely interlinked, affecting each other and thus profoundly and comprehensively expressing the essence of the given relations of production in their development. Besides specific laws governing certain stages in the development of the relations of production, there are laws common to all stages of social development. This is explained by the fact that in socio-production relations there are essential, permanent and necessary links which do not depend on the specific character of these relations and are inherent in them at all stages of social development. For instance, the *law of correspondence of relations of production to the nature and level of development of the productive forces* is a general economic law. The law of saving labour, which is manifested in various *socio-economic formations*, is also a general economic law. Besides general and specific economic laws, there are laws peculiar to several stages in the development of social production. One is the *law of value*, which operates in those formations where there is commodity production. Every formation develops on the basis of both specific and general economic laws, which are closely interlinked. Specific laws operate at a certain stage of economic development and determine its character and content right up to the transition to a new stage. General laws bind the development of all socio-economic formations into a single process. Despite the fact that economic laws operate independently of human will and consciousness, people are not powerless before them. Under certain conditions they can comprehend these laws and use them in their interests. The study of the laws of economic development is the most important function of *political economy*. Political economy "is the science

of the laws governing the production and exchange of the material means of subsistence in human society" (F. Engels, *Anti-Dühring*, p. 181). In all pre-socialist formations, the understanding and use of economic laws is extremely limited because of the domination of private ownership of the means of production and the ensuing estrangement of producers. Cognition and conscious use of economic laws in socialist society is especially important. Engels pointed out that in socialist society "the laws of his own social action, hitherto standing face to face with man as laws of nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him" (F. Engels, *Anti-Dühring*, p. 336). The socialist economic system, based on social ownership of the means of production, may function successfully and develop only if economic laws are employed consciously. They are utilised comprehensively by the communist and workers' parties of the socialist countries and government bodies in elaborating the economic policy and in organising the economy. Much attention is paid to popular economic education of the working people so that they, armed with the knowledge of economic laws, can purposefully work for making production more efficient and raising the quality of output. The fact that economic education of the working people makes them economically aware, is an important condition for raising the scientific level of economic management, for greater initiative, and a more active involvement of working people in managing production and in raising the *efficiency of social production* and the *quality of work* for the benefit of them all.

Economic Levers and Stimuli (under socialism), the tools of planned management of the economy. Among these are: the socio-economic development plans, cost accounting, profit, *cost of product (cost price)*, *price*, *credit*, *economic incentives*, *funds*, etc. A skilful use of economic levers and stimuli is the main road towards better economic management.

They form a single interlinked system of planned management. The levers and stimuli based on the principle of material incentives and responsibility cannot be employed successfully if not dovetailed with the economic development plan. At the same time they are the necessary and compulsory element of state economic management. Cost accounting, which uses many levers and stimuli to encourage economic growth and more efficient production, plays an important role in the system of economic levers. The leading role of a five-year plan in guiding social production presupposes the use of stable (long-term) normatives (see *Rated Planning*). Assignments set for the enterprises for the manufacture of products and rates of expenditure also provide for economic levers and stimuli, which affect the economic interests of work collectives and individual workers and make them interested in attaining the goals set by society. Thus, one of the most important requirements of planned economic management is being realised — to make advantageous for every work collective and every worker that which is advantageous for society at large. The economic levers and incentives and the entire system of indicators must fuse the interests of the individual worker with those of the enterprise, and the latter with those of the state, encouraging them to take on and fulfil higher plans, save resources, reduce production costs, and more quickly to produce new articles and manufacture goods of higher quality and needed assortment. The economic levers and stimuli develop and improve along with the system of planned economic management depending on changes in the objective conditions and goals set in the CPSU's economic policy. It is of prime importance today to interest the Soviet enterprises in attaining high *final results* in the national economy, in fully satisfying social requirements, in raising the *efficiency of social production* and improving the *quality of output*. This enhances enterprises' responsibility for fulfilling the plan and contract obligations, for the timely delivery of high-quality products in large assortment to the consumer

and for the rational use of resources. The system of cost-accounting stimuli, *wholesale prices*, and the procedure of forming and using the economic incentives funds, are restructured accordingly. Improving the economic levers and stimuli is aimed at making fuller use of the new opportunities at the disposal of the economy of developed socialism and at further boosting the efficiency of production and the quality of work throughout the economy (see *Economic Mechanism*).

Economic Mechanism of socialist society is an aggregate of instruments, forms and methods of managing the economy used to achieve set objectives. It includes, above all, state economic and social development plans, *cost accounting*, *economic levers and stimuli*, organisational-managerial structure and forms of mass participation in production management (see *Economic Planning*; *Democratic Centralism in Economic Management*; *Participation of Working People in Economic Management*). The economic mechanism is formed on the basis of public ownership of the means of production, and is linked with the process of socialising production, with planned state regulation of production and distribution, and the people taking part in managing the economy and all public affairs. The economic mechanism of socialist society replaces the spontaneous economic mechanism regulating capitalist production. Lenin disclosed and substantiated the essence of the economic mechanism of socialist society. The Leninist principles of socialist economic management are the solid foundation for managing the economy under socialism. They are being creatively developed by the CPSU and the fraternal Marxist-Leninist parties with due consideration of prior experience and new conditions. The economic mechanism is the main instrument for the implementation of the *economic policy of the CPSU*, which ensures the harmonious and well-organised work of all the links of the Soviet *integral national economic complex*. An economic mecha-

nism of the world socialist economy is evolving as the international socialist division of labour (see *Division of Labour, Socialist International*) and integration develop and deepen. Forms and methods of economic management are created and perfected to make use of the system of socialist economic laws, constantly expand opportunities for boosting the *efficiency of social production* and improving overall *living standards*, and combine the achievements of the *scientific and technological revolution* with the advantages of the socialist economic system. As the *productive forces* grow, the level of socialisation of production rises and the maturity of the socialist *relations of production* increases, more or less essential changes occur in the economic mechanism which become particularly noticeable with the transition from one stage of socialist development to the next. The improvement of the economic mechanism is an objectively conditioned process. It does not happen automatically, but is directed by the Communist Party and the state. The CPSU regards the improvement of the economic mechanism not as a one-time initiative or an occasional act, but as a dynamic process of resolving the problems posed by life so that the advantages of the socialist economic system can be fully used. The building of a developed socialist society in the USSR has determined the need for improving the economic mechanism and elevating it to a new stage. In July 1979, the CC CPSU and the Council of Ministers of the USSR adopted the resolution "On Improving Planning and Enhancing the Impact of Economic Mechanism on Production Efficiency and Work Quality". The resolution outlined measures based on the necessity of raising the level of planning and economic management and bringing them into conformity with the requirements of the present stage — the stage of *developed socialism*, of working to considerably increase the efficiency of social production, of accelerating *scientific and technical progress* and growth of labour productivity, of improving

the *quality of output* and on this basis ensuring steady economic growth and a higher living standard of the Soviet people. The implementation of these measures is a huge economic and political task; it demands the complex, harmonious improvement of the organisation of social production and management, a higher scientific level and greater efficiency of planning, the activisation of the economic levers and stimuli, and the further development of democratic principles in economic management. All the links of the economic mechanism are geared to achieve the best possible ultimate results and to make production more effective. The measures to improve the system and methods of planned management worked out by the CPSU are a vivid example of the creative development of the Leninist principles of socialist economic management with due consideration of the specific features and tasks of developed socialism.

Economic Planning, the working out of comprehensive indicators for the development of socialist social production and its components, as well as of a system of measures to achieve these indicators; it dovetails the working people's activity and achievement of the proposed objectives with the least expenditure of labour, material and financial resources, and is the central link in the mechanism governing socialist production, the main form in which objective *economic laws* are consciously used. Article 16 of the USSR Constitution states: "The economy is managed on the basis of state plans for economic and social development, with due account of the sectoral and territorial principles and by combining centralised direction with the managerial independence and initiative of individual and amalgamated enterprises and other organisations...." Countrywide economic planning is only possible when there is social ownership of the means of production, which ensures the economic and organisational unity of the economy and the possibility of its development according to plan. Planned economic development

is socialism's greatest advantage over capitalism. It ensures continuous and rapid economic growth, and makes it possible to correctly distribute the productive forces throughout the country, to rapidly and comprehensively introduce the achievements of science and technology into production, and to be economical with society's material, financial and labour resources in the interest of the working people. Planning is basically designed to ensure a *planned and balanced development of the socialist economy* and its components in order to achieve the best final results of production with least expenditure in the interests of society as a whole and each of its members in particular. The essence of economic planning is expressed in its principles: democratic centralism, a partisan approach, i. e., embodiment of the Party's economic policy in the plans; scientific nature, meaning the reflection in the plans of the requirements of the objective laws of social development; and its binding character, which consists in the fact that once approved, a plan assumes the force of law and must be fulfilled. The principles of planning also include public accountability and control over fulfilling the plans, and the combination of national and international interests. Economic planning under socialism is an integral system based on *long-term planning*. Long-term plan indicators are specified and made more concrete in *current planning*, which also helps fulfil them. Economic planning ensures the unity of long-term and current plans. Among the major planning methods are the *balance method*, the use of technical and economic standards (see *Rated Planning*), and the modelling of economic processes using econometrico-mathematical methods and computers (see *Econometrico-Mathematical Methods*). An important condition for enhancing effective economic planning is a comprehensive, systems approach. Plan assignments are expressed by a system of interconnected *natural indicators* (e. g., assignments in the production of major types of product) and *value indicators* (e. g., *rated net product*). As society develops socially and

economically, the planning system improves. The USSR is now working on the task of raising the level of planning and management, so that they conform to the requirements of developed socialism, ensure a greater *efficiency of social production*, accelerate *scientific and technical progress* and raise *labour productivity*, as well as improve the *quality of output*, and on this basis ensure constant economic growth and steadily rising living standards. The major avenues of improving planning under developed socialism are defined in the resolution of the CC CPSU and the USSR Council of Ministers "On Improving Planning and Enhancing the Impact of Economic Mechanism on Production Efficiency and Work Quality", of July 12, 1979. These are the following: (1) The choice of the most effective ways of achieving *final results of production activity*. For this purpose, the plans take full account of achievements in science and technology (see *Comprehensive Programme for Scientific and Technical Progress of the USSR*), the system of plan indicators and technical and economic standards is being improved, and the working people are encouraged to take part in drawing up and fulfilling plans relying on widely applied socialist emulation closely correlated with planning (see *Participation of Working People in Economic Management*). (2) Rational combination of sectoral and territorial development. In this connection, the ministries and departments are made more responsible for the territorial aspect of their industries' development; the rights of territorial economic bodies are being extended to ensure the comprehensive economic and social development of the given regions; ties are being strengthened between ministries, departments, production associations (enterprises) and organisations, on the one hand, and territorial management bodies, on the other. Broad programmes will be elaborated to deal with major regional problems, to form and develop major *territorial-production complexes*. (3) Rational combination of long-term and current plans, which requires a greater role for long-term plans, especially the five-year plans;

annual plans are based on the five-year plan assignments and economic standards for the given year. (4) Improvement of inter- and intra-sectoral proportions. This is ensured through the greater subordination of the production activities of industries and production associations (enterprises) to the task of meeting economic and popular demand for products of requisite assortment and quality; through the correct determination of priorities in the development of industries and economic regions in order to ensure progressive changes in economic proportions, with consideration of progress in science and technology; through increasing the responsibility and interest of production associations (enterprises) in ensuring that products are delivered in conformity with the contracts (orders) they have concluded. (5) Balanced economic growth. State plan assignments are provided with more material resources and manpower, and to do this a strict procedure for working out a balance of material resources and labour has been established; it is also planned to dovetail economic and social development plan indices with financial resources, including current finance balances, financial plans of ministries, departments, and production associations (enterprises), and balances of the people's cash incomes and expenditures; operating enterprises and new projects are also planned as a single whole. A fundamentally new step in planning is the Food Programme of the USSR, which embodies a goal-oriented, comprehensive approach; for the first time ever, the agro-industrial complex has been singled out as an independent object of planning and management, making it possible to more effectively combine territorial, sectoral and programme-target planning. District agro-industrial associations are given a great role in planning. Planned economic development presupposes strict observance of planning discipline (see *Discipline, Planning*).

Economic Policy of the CPSU, the concentrated and scientifically substantiated expression of the activity of the

CPSU in the principal sphere of social life — material production. It stems from the vital interests of the working class and of all working people, accounts for the higher requirements of social progress and finds its expression in determining the objectives and guidelines of economic development as applied to the concrete historical period. Depending on the duration of this period and the character of the tasks of social development, the economic policy of the CPSU is subdivided into a long-term economic strategy, and economic tactics planned for a relatively short term which will determine the ways of implementing the economic strategy, the urgent tasks of economic development and the ways of resolving them. The economic policy of the CPSU reflects the ultimate goal of the revolutionary movement of the working class — the building of a genuine communist society; it organically combines the vital interests of the working class with those of the peasantry and the people's intelligentsia. The economic policy of the CPSU is evolved and implemented with the active participation of the working people, this being its principal feature. The scientific character of the CPSU's economic policy is determined by the fact that it is based on the conscious use of the objective *economic laws* and tendencies of social development. When determining the perspectives of economic development, evolving economic and social development plans, and making important decisions on managing the economy, the CPSU takes into consideration the objective laws and the real possibilities of achieving what has to be done relying on advanced practical experience and the achievements of science and technology, and thus pinpoints most efficient methods for attaining the goals. Being a concentrated expression of the economy, the policy of the socialist state, on its part, has an active influence on the economy, speeding up its development. The political approach to the solution of economic matters means the approach based on the interests of the working class, expressing the vital interests of all the working people, the

priority of the interests of the whole of society over the interests of industries, regions and enterprises. The policy of the Communist Party in the context of developed socialism is based on the scientific conception of this stage worked out by the CPSU and other fraternal parties. Providing steadily rising living standards, fully satisfying the requirements and achieving all-round development of all members of society is the highest goal of the economic policy of the CPSU. Worked out and implemented under the guidance of the CPSU, the economic policy is concretely embodied in the economic and organisational activity of the socialist state, in the undertakings to perfect the *economic mechanism* and in the country's plans of social and economic development (see *Economic Planning; Economic Role of the Socialist State*).

Economic Role of the Socialist State, the economic and organisational activity of the state directed at transforming society along the socialist lines, developing and improving social production, ensuring the steady growth of people's well-being, controlling the measure of work and measure of consumption, fostering new work discipline and a communist attitude to work. The state organises the joint activity of all members of society, fuses the economic interests of the classes and social groups, with the interests of all people playing the leading role. In the USSR, the state conducts its economic and organising activity on the basis of the scientifically substantiated *economic policy of the CPSU* — the organising, leading and guiding force of society. For the Communist Party and the Soviet state, the economy is the main policy, whose successes largely determine the onward movement of Soviet society towards communism and the consolidation of international positions of the Soviet Union. In its practical activity, the socialist state relies on the objective *economic laws* of socialism, takes into account the higher requirements of material life, and the domestic and international situation. In the period

of transition from capitalism to socialism, the socialist state is the main lever of the revolutionary transformation of the capitalist economy into a socialist economy, of asserting new relations of production. With the triumph of socialism and the establishment of socialist ownership, the state concentrates the bulk of the means of production in its hands. This allows it to become the organiser of the country's entire economic development. Through its planning and administrative bodies, the Soviet state, on the basis of the Leninist principle of democratic centralism, guides and manages the economy and determines the volume and pace of growth and structure of production in all of its sectors, the volume and structure of capital investments, and directs the siting of the productive forces and the development of science and technology. Through the system of trade enterprises, the state directs the movement of most commodities and develops the retail and service sphere in the interests of most fully ensuring the people's requirements. Through its monopoly of foreign trade, it conducts the country's foreign trade operations. It organises the financial system and money circulation, implements the budget, and fixes prices in the state trade and the purchasing prices of farm produce. The control over the measure of work and the measure of consumption is implemented in accordance with the principle "from each according to his abilities, to each according to his work". The state's economic and organisational function embraces the planned training of qualified personnel and their distribution throughout the economy. Another aspect of the economic role of the socialist state is that it organises the work of millions of people, implants new work discipline by combining material and moral incentives and encouraging innovations and a creative attitude to labour, and helps make labour a vital necessity of every person. The Soviet state organises assistance and close economic cooperation with other socialist countries on the basis of the planned development of the international socialist division of

labour (see *Division of Labour, Socialist International*), coordination of the national economic plans of socialist countries, specialisation and cooperation of production, exchange of expertise, etc. It also provides economic assistance to the developing countries, helping them to achieve economic independence from imperialism. Consistently following the Leninist policy of peaceful coexistence between countries with different social and political systems, the Soviet state organises economic ties with the capitalist countries as well. Now that Soviet society has entered the stage of developed socialism, the economic role of the state has intensified. The new Constitution of the USSR stipulates that the supreme goal of the Soviet state is the building of a classless communist society, and its main aims are: laying the material and technical base of communism, perfecting socialist social relations and transforming them into communist relations, moulding the citizen of communist society, raising the people's living and cultural standards, safeguarding the country's security, further consolidating peace, and developing international cooperation. The features of the state of the whole people become more pronounced, and the working people, work collectives are more fully involved in discussing and dealing with state and public matters. On this basis, the process of the steady transformation of socialist statehood into communist self-management moves ahead gradually. In a communist society, planning and accounting, managing the economy and cultural development, which are now the prerogative of the state, will lose their political character and become functions of social self-management.

Economic Strategy of the CPSU, a form of the *economic policy of the CPSU* setting the long-term, fundamental goals of economic development and the means of achieving them. Under socialism, the objective possibility and necessity of evolving an economic strategy are determined by the domination of social ownership of the means of production, the ope-

ration of the objective laws of socialist economic development, expressing the long-term tendencies of social progress, and centralised economic management. Proceeding from the vital interests of the working people, the communist parties in the socialist countries determine the general perspective of social development along the road to communism and the main trends of the policy of the socialist state. A steady rise in the material and cultural level of the Soviet people, the creation of the best conditions for the comprehensive development of the individual on the basis of the greater efficiency of all social production, higher labour productivity, and the Soviet people's growing social and labour involvement are the highest goals of the economic strategy of the CPSU. A general strategic economic policy depends on the duration and character of the given historical period. It embraces the establishment and development of individual stages of the socialist mode of production and is reflected in the CPSU Programme. The strategic economic policy implemented in accordance with the decisions of the 23rd, 24th, 25th and 26th CPSU Congresses is aimed at creating the *material and technical base of communism*, perfecting socialist social relations and transforming them into communist relations, and moulding the new man of communist society. It presupposes the organic merging of the achievements of the *scientific and technological revolution* with the advantages of the socialist economic system. A shorter-term economic strategy for certain periods of building socialism and communism is worked out alongside a long-term general strategy. The 24th, 25th and 26th CPSU Congresses elaborated an economic strategy reflecting the features of the current stage of *developed socialism*. The strategy provides for further increasing the economic strength of the Soviet Union, expanding and radically renewing the *production assets*, ensuring a steady and balanced growth of heavy industry, which is the foundation of the economy. It presupposes the transition from the extensive to intensive development of production (see *Inten-*

sification of Production under Socialism), profound changes in the branch and territorial structure of the economy, as well as improvement of the organisation and management of social production. The economic strategy of the CPSU, the Party's leading role in its development and implementation are proclaimed in the Constitution of the USSR: "The Communist Party, armed with Marxism-Leninism, determines the general perspectives of the development of society and the course of the home and foreign policy of the USSR, directs the great constructive work of the Soviet people and imparts a planned, systematic and theoretically substantiated character to their struggle for the victory of communism." The 26th CPSU Congress resolved that in the 1980s the CPSU will persistently follow its economic strategy, whose highest aim is to steadily raise the people's material and cultural standards, create better conditions for the all-round development of the individual on the basis of greater efficiency of social production, higher labour productivity, and increased social and work involvement of the people.

Economic Ties Between Socialist and Developed Capitalist Countries, various forms of economic relations between these two groups of countries on the basis of the objective process of the *world division of labour*. From the moment of its emergence, Soviet Russia and subsequently other socialist countries, basing themselves on the Leninist principles of peaceful coexistence between countries with different social systems, have always called for the development of economic relations with the capitalist world. The policy of the Soviet Union is aimed at developing economic relations with capitalist countries, eliminating discrimination and all artificial obstacles in international trade, and ending inequality, diktat, and exploitation in international economic relations. The 26th CPSU Congress has reaffirmed the USSR's readiness, proceeding from the principle of peaceful coexistence and the necessity of consolidating detente, to develop stable, mutually advantageous trade, economic,

scientific and technological cooperation with interested capitalist countries. In the capitalist countries, especially in the United States, there are forces, such as reactionary politicians and the *military industrial complex*, who are out to obstruct the development of economic ties between the countries of the two world systems, and use these ties to put pressure to bear on the USSR and other socialist countries. But the latter resolutely reject these attempts by the enemies of detente. Despite the resistance of certain circles, economic relations between socialist and capitalist countries expanded considerably in the 1960s and 1970s. Trade turnover between the CMEA member countries and Western Europe and Japan has increased considerably. New forms of cooperation are becoming increasingly important, especially agreements on tapping natural resources jointly with Western companies on a "compensation basis", under which these companies deliver equipment, provide expertise and credits for producing certain goods and are paid (compensated) later by deliveries of these goods. The number of specialisation and cooperation agreements is also growing. They provide for economic organisations in socialist countries and companies in capitalist countries producing semifinished products, parts and units and exchanging them to be further assembled into ready products at enterprises of one or both partners. Some of these agreements envisage commercial cooperation, including marketing in third countries, which do not participate in these agreements. The establishment by socialist countries of mixed companies in some capitalist countries with the participation of local capital is very significant for expanding their exports. In the age of the scientific and technological revolution, scientific and technological cooperation between socialist and capitalist countries is growing rapidly. This cooperation is based on both inter-state agreements and agreements with individual companies. Trade in patents and licences is the commercial form of the exchange of scientific and technological expertise. The expansion of credit relations, especially long-term credits, is the

necessary condition for extensive cooperation. The organisational forms of the links between socialist and capitalist countries are being improved. Economic relations between socialist and capitalist countries are mutually advantageous because they enable the partners, through the advantages of the *world division of labour*, to obtain from each other the necessary raw materials and industrial products, to expand market and to use advanced technical experience. The communist and workers' parties of the socialist countries have posed the objective of further expanding economic relations with the capitalist world and making them more effective.

Econometrico-Mathematical Methods, methods of economic science and applied mathematics used in the quantitative analysis of the socialist economy as a whole and its individual components. They are an important means of cognition and are instrumental in dealing with economic development problems. Under *developed socialism*, the volume of production and capital investment has reached gigantic dimensions and the rate of introduction of scientific and technical achievements has been stepped up. The links and dependencies have become far more complicated not only within the framework of the economy itself but also internationally. Each year there emerge ever new possible solutions of concrete economic tasks, although they differ in cost and time of execution. Yet it is necessary to accelerate the decision-making process because of the dynamics of *scientific and technical progress* and changes in the economic situation. Mathematics studies spatial forms and quantitative relations of the real world and the quantitative dependences inherent in various forms of the motion of matter. Economic relations that evolve in the process of *production, distribution, exchange (I)* and *consumption* of material wealth are a most important form of the motion of matter. As such, economic relations are characterised by measure, i. e. by the unity of quality and quantity. Relations between quality and quantity are manifest-

ed in the measure which serves as the groundwork for applying mathematical methods to economic studies. Methods of mathematical statistics, linear and non-linear programming, game theory, the theory of the service industry, the timetable theory, the theory of managed resources, and other economico-mathematical methods are being used in economic practice. Economic relations are always linked with the movement of things. The quantitative proportions of these material relations are the expression of the quantitative essence of the *relations of production*. This opens up broad possibilities for using economic and mathematical modelling. An economic and mathematical model is the scientific reflection with the help of algebraic equations and non-equations, of real phenomena and processes on the scale of the national economy as a whole (macro-models) or certain industries, regions, or enterprises (local models). Economic and mathematical modelling is based on the method of abstraction and the theory of reflection, widely used in political economy. The scientific principles of constructing economico-mathematical models ensure relatively full quantitative and qualitative correlations and similarity of the model and the real elements of the economic system reflected in it. The degree of abstraction and, therefore, the degree to which the model corresponds to the real object may be different depending on the objectives, information and other conditions. Depending on their form and purpose, the economico-mathematical models now being used may be categorised according to the following three groups: correlative (regressive), balance, and optimal economic models. Experience shows that the employment of economico-mathematical modelling allows production resources to be used 10 to 20 per cent more effectively than if traditional methods were used. Better management of the economy, the necessity of taking fuller account of social requirements in the plans and satisfying these demands with the minimum expenditure of resources expand the possibilities of using economic and mathematical methods in various sectors of planned activity when drawing up fore-

casts of scientific and technical progress and socio-economic processes. Alongside this, a necessary condition for the fruitful use of the quantitative methods is their unbreakable link with the qualitative analysis of economic processes and phenomena on the basis of profound knowledge of Marxist-Leninist methodology (see *Long-Term Planning; Economic Planning; Proportions of Social Production; Forecasting, Economic*).

Economy, a definite historical aggregate of the *relations of production*, the economic basis of society. The economy of a certain country includes all industries and types of production. By economics, people understand certain economic sciences (industrial economics, agricultural economics, etc.). Inherent in every *mode of production* is its own economy, which is distinguished by the character of ownership of the *means of production*, the aims of production, and the forms and methods of economic management. The socialist economy, as the first phase of the *communist mode of production*, differs in principle from the economy of preceding stages of society by the fact that it is based on social ownership of the means of production, and its objective is to increase the well-being of the population and to promote the all-round development of every member of society. It functions in a planned way on the basis of understanding and consciously applying objective *economic laws*. Politics is a concentrated expression of economics. Under socialism, the policy of the Communist Party and the state expresses the economic interests of society as a whole and is aimed at strengthening and developing the socialist economy and building a communist society. The economy as an aggregate of economic sectors reflects the characteristic features of the corresponding mode of production and concrete historical conditions of the given country, determined by its geographical position, historical traditions and level of the forces of production. It includes the *production sphere* and the *non-production sphere*.

Effective Demand, demand for material benefits and services guaranteed through the purchasers' means. This embodies most social and personal requirements for the means of production and consumer goods. It is determined by the socio-political system, the structure of the social product, the *national income*, and the social character of its distribution. Under capitalism, the tendency towards expanding social production clashes with the inadequate growth of the people's effective demand. In the pursuit of maximum profits, and in the course of fierce competitive struggle, the capitalists try to hold workers' wages to a minimum, often below the cost of labour power. This tends to reduce the working people's share of the national income, which diminishes the purchasing power of most consumers. The fact that the working people's effective demand lags behind the expansion of capitalist production is one way in which the *basic contradiction of capitalism* manifests itself, and is one of the causes of the emergence of *economic crises of over-production*. In socialist society, the steadily growing scale of production and of its effectiveness is the basis for increasing the real income of industrial, office and professional workers and collective farmers, and hence for a steady growth of effective demand. The correspondence between the supply and demand of consumer goods depends on several factors, such as the correlation between the *consumption fund* and the volume of production of consumer goods (and services); the rational utilisation of the *accumulation fund*, and the effectiveness of production assets; the correlation of the growth rates of Department I and Department II of social production; the correlation between the growth rates of the working people's money incomes and labour productivity, the regulating role of prices, etc. All these factors are controlled by the socialist state in a planned way. An important condition of the market equilibrium of consumer goods and the fuller satisfaction of the people's requirements is a systematic study of demand and its probable changes. An important

role in the planned regulation of effective demand and goods turnover is played by the *balance of money incomes and expenditures of the population*. The growing *efficiency of social production* and the planned regulation of the economic ties between commodity producers and consumers by taking account of social requirements are the main instrument of expanding the production and sales of goods in conformity with the people's requirements.

Efficiency of Social Production, extremely important economic indicator characterising the relation between the economic results obtained by society and the costs. Under capitalism, costs are *capital expenditures*. As a result of production, the capitalists obtain profit. The rate of profit, regardless of how rationally production factors, including live labour, are used, is the criterion of production efficiency. Under socialism, the production costs are the expenditure of all the labour — the labour materialised in the means of production, and the labour of the aggregate worker, free from exploitation, organised in a planned way. The product created is the material basis for the satisfaction of the growing requirements of society as a whole and of all its members. Therefore, the efficiency of socialist production is expressed as the relation between the planned aggregate expenditure of living and materialised labour and its result — the mass of products manufactured to satisfy the requirements of society. The saving of work time, which makes it possible to increase the quantity of material wealth with the same outlays, is an important indicator of the efficiency of production. The domination of social ownership of the means of production presupposes a thrifty approach to social property, allows to concentrate the effort of the economic mechanism at boosting the efficiency of production, expands the boundaries of the use of new machinery, and creates broad possibilities for replacing arduous physical, monotonous labour by creative one. Production efficiency must be distinguished from the efficiency of na-

tional economy, which expresses the result of the activity of society not only in the sphere of *production* but also in the spheres of *distribution*, *exchange* (1) and *consumption*. The efficiency of the economy is reflected in the increased and rational use of people's *spare time*. There is also the concept of socio-economic efficiency, which characterises the performance of social production and of the entire economy more broadly, taking into consideration the results of society's efforts in improving work conditions, enriching its creative content, and overcoming the *essential distinctions between mental and physical labour*. Thus, socio-economic efficiency characterises the improvement of all aspects of the socialist *way of life*. This is manifested above all in the development of the personality, his or her abilities and talents. At the stage of *developed socialism*, it becomes necessary and possible to considerably increase the efficiency of production. Developed socialism is characterised by mature socialist *relations of production*, a diversely developed industrial base, a powerful economic complex, a sharp increase in the number of production means used, the on-going *scientific and technological revolution*, and the improvement of production methods and technology. A steady rise in well-being, which in turn is an important factor in increasing the efficiency of production, is achieved on this basis. Increasingly efficient production is the main condition for the victory of the socialist system in the competition of the two world economic systems. The necessity of increasing the efficiency of production in the USSR is also dictated by the current stage in the country's development, the growing problem of manpower resources, the necessity of developing new sources of energy and raw materials, great expenditures on environmental protection and the development of the *infrastructure*, particularly building roads, warehouse facilities, transport, communications, and the material supply system. Further progress will to an increasingly great extent depend on skilful and effective use of all available labour resources, fixed assets,

fuel and raw materials and farm produce. Higher labour productivity, an increased *output-asset ratio* and lower *material intensity* and energy expenditures per unit of production are indicators of the efficiency of industries and enterprises. High results are obtained where the improvement of these indicators is combined with increasing the *quality of output* and work performed. In general, the efficiency of socialist social production is expressed by the relation of the *national income* to the sum total of the aggregate labour expenditures for its production and the value of the production assets of the national economy (labour outlays and production assets are reduced to a single measuring instrument by using rated coefficients). Increased efficiency of social production is linked with improvements in the use of the country's production and scientific and technical potential, and with the qualitative shifts in the economy. The *intensification of production*, *broad-scale mechanisation of production*, *automation of production* and other trends of scientific and technical progress, the introduction of the scientific organisation of production and labour, the improvement of the country's economic structure, and the accelerated development of those industries ensuring a high economic effect are the main factors of growing efficiency. Of particular importance are: attaining a high *economic efficiency of capital investment* and of new machines in building new and reconstructing running enterprises; increasing technico-economic indicators and the *quality of work* at enterprises and associations; introducing the *policy of economies* throughout the national economy and production; and raising returns from every unit of material, labour and financial resources. To use the opportunities for increasing the efficiency of production to the maximum, the system of economic management and planning, i. e. the entire *economic mechanism* is being improved. The efficiency of production is raised through higher labour activity of the working people, through *socialist emulation*

aimed at increasing the efficiency and quality of work.

Embargo, prohibition of export from or import to any country of commodities, gold or securities. An embargo can be imposed either in war time or in peace-time. During a war, an embargo becomes a form of economic blockade. In peace-time an embargo is used as an instrument of political and economic pressure on another country. On different occasions, some capitalist countries tried to impose an embargo on the import from the USSR of gold and commodities. The UN Charter provides for the imposition of an embargo as a collective measure against a country whose actions threaten international peace and security. However, after World War II, some imperialist states used embargoes for aggressive purposes in violation of the UN principles.

Emission, issue into circulation of money and securities. Under capitalism, the emission of money is effected by state emission banks, while securities (*stock [shares]* and *bonds*) can be issued by monopoly amalgamations. Emission is used by the dominating classes for their enrichment and for intensifying the exploitation of the working people. Today the imperialist powers extensively use the emission of money for covering budget deficits caused by the unrestrained arms race and their aggressive policies. This leads to a rapid growth of the amount of paper money in circulation and to a drop in their purchasing power, higher prices for consumer goods and a decline in the working people's living standard in capitalist society. The disruption of monetary circulation caused by the excessive emission of paper money and its devaluation is a feature of capitalism's instability and the decay of the capitalist economy in the period of the *general crisis of capitalism*. Emission in capitalist countries is an important means of concentrating money in the hands of *joint-stock companies*; it reaches gigantic dimensions in the period of imperialism. Under socialism, the amount of money in

circulation is regulated in a planned manner. The amount of the emission for every time span is set by the government. In the USSR, the emission of money and regulation of money circulation is one of the important functions of the State Bank, whose activity is organically fused with the country's economic plans and is subordinated to the tasks of economic development. The State Bank issues paper money in accordance with the real requirements of the economic turnover in cash, determined in a planned way. In the USSR, the emission of securities is limited to the emission of bonds, which are used to attract the population's monetary resources in order to assist the country's economic development.

Energy Crisis, one of the non-cyclic economic crises of capitalism. Outwardly, it manifested itself at the end of 1973 initially with a sharp shortage of energy resources and then by many sharp increases in their prices, first of all in the price of the principal energy resource — oil. The energy crisis was brought about by a group of factors, in a way connected with the expansion of the biggest oil monopolies. To force out their main competitors from the energy market — the coal companies — these monopolies charged low prices for oil exported from the developing countries in the 1950s and 1960s. As a result, the capitalist countries switched their energy balance to imported oil. The perspective that the easily accessible oilfields in the developing countries would be worked out forced the monopolies to develop oil deposits in hard-for-access oil-bearing regions in the United States, Canada and in certain remote offshore areas of the coastal shelf, as well as to start production of synthetic liquid fuel from coal, oil-bearing tar sands, bituminous shale and other alternate energy sources. Given the considerably higher production costs, they could be developed at a relative profit only if oil prices were sharply raised. Therefore, once the oil companies had consolidated their control over the energy of the capitalist countries it was no longer profitable to maintain

low prices on liquid fuel. The continually heightening crisis of the imperialist exploitation of the oil resources of the developing countries prompted the oil monopolies of the developed capitalist countries to expand energy development. The joint efforts of the developing oil-producing countries which had joined together to form the Organisation of Petroleum Exporting Countries (OPEC), led to a geometric increase in the price of oil. From the early 1970s, oil demand began to exceed supply. The energy crisis led to a multifold increase of profits for the oil companies making it not only profitable, but super-profitable for them to develop remote oil deposits, as well as alternate energy sources. The energy crisis had a different impact on the economy and economic perspectives of different capitalist countries. The developing countries, which were global oil exporters, benefited from it. In the oil-importing countries, the development of the energy-intensive industries slowed down. The energy crisis dealt a heavy blow to the economy of most of the West European countries and Japan, where the price of a unit of fuel rose far higher than it did in the United States. This made American products more competitive. In the United States, the energy crisis led to the development of considerable oil reserves and alternate energy sources. In all European countries, energy-consuming companies jacked up the prices of their products in accordance with their higher energy costs. The energy crisis led to a deterioration of the position of the working people in the capitalist countries. Its effect was most painful on the economy of the oil-importing developing countries, which suffered doubly — from the skyrocketing price of imported fuel, and the higher prices of imported manufactures. At the same time the energy crisis accelerated the crisis of the entire system of economic relations between the newly-free states, on the one hand, and the imperialist powers and their monopolies, on the other. The energy crisis was a catalyst for the 1974-75 cyclical crisis. The effect of the energy crisis was intensified by the monetary and ecological crises. In turn, it helped intensify

the *monetary crisis and inflation* and led to a further disturbance of the ecological balance because of eased environmental protection standards.

Engels, Frederick (November 28, 1820-August 5, 1895), revolutionary and thinker of genius, one of the founders of scientific communism, friend and close companion of Marx (see *Marx, Karl*). Engels, the son of a textile manufacturer, was born in Barmen (subsequently Wuppertal, Rhine Province of Prussia). In 1837, at his father's insistence, Engels left school and began business training in his father's office, and then at the wholesale export firm of H. Leupold. The young Engels concentrated on literature and journalism. He studied foreign languages on his own. The spread of opposition sentiments in the Rhine Province against Prussian absolutism led to the early awakening of Engels's political consciousness and revolutionary-democratic outlook. In mid-November 1842, Engels went to Manchester in Britain for commercial practice at a cotton-spinning mill which his father co-owned. It was in Cologne at the office of the *Rheinische Zeitung*, that he first met Marx. His two-year stay in Britain and acquaintance with the developed workers' movement played a big role in forming Engels's social, political and philosophical outlook and his acceptance of materialism and proletarian communism. In his articles from England (the end of 1842) for the *Rheinische Zeitung* Engels first advanced the idea of a social revolution, which he believed the British proletariat would accomplish. In the work "Outlines of a Critique of Political Economy" published in the journal *Deutsch-Französische Jahrbücher* in February 1844, Engels made his first criticism of the capitalist mode of production and bourgeois political economy from the position of incipient scientific socialism. Here Engels showed the illegitimacy of capitalist private property as the foundation of the entire material and cultural life of society. This was closely tied up with a critique of capitalist competition as the regulator of social production and with the analysis of the antagonistic contradictions

of bourgeois society. Engels also tried to reveal the operation of the most important categories of political economy — value, land rent and science as the spiritual component of production, in a communist society. This was essentially the first attempt to forecast the communist economy, which Engels subsequently developed in his *Anti-Dühring* on the basis of Marx's research. The *Outlines* stimulated Marx's work on political economy which he began in the autumn of 1843. Engels's many years of cooperation with Marx began at the end of August 1844. Its prime thrust was the elaboration of the dialectico-materialist conception of history. *The Holy Family* (1845) was a landmark on this road. In this joint work, Marx and Engels precisely formulated the idea of the historic role of the proletariat which history had assigned to abolish private property and build a new society. In his *Speeches in Elberfeld* (February 1845) Engels proved the historical and economic necessity of communism. In *The Condition of the Working-Class in England* (1845) Engels first revealed several laws of capitalist production (the periodic character of economic crises, the formation of the industrial reserve army of unemployed, and the intensification of capitalist exploitation as the factory system develops). Using the example of England, Engels ascertained the link between the industrial revolution and the class structure of society, and established the relationship between the development of the large-scale industry and the development of the working-class movement. He substantiated the necessity of uniting socialism with the workers' movement and showed that communism is the inevitable result of the class struggle of the proletariat. In *The German Ideology* (1845-46), Marx and Engels for the first time evolved an integral materialist concept of history, thus providing a philosophical basis for the theory of scientific communism. Elucidation of the dialectics of the interaction and development of the productive forces and the relations of production meant the philosophical substantiation of the inevitability of the proletarian revolution, and made it

possible to formulate the main propositions of the theory of communist society. *Draft of a Communist Confession of Faith, Principles of Communism, and Manifesto of the Communist Party* (1847-48) are works in which Marx and Engels summed up the results of the evolution and substantiation of scientific communism, which they arrived at in the 1840s; described the general course of the development of capitalism; characterised its main laws; provided an analysis of the antagonistic contradictions of capitalist society (first of all, the contradictions between the productive forces and the relations of production); examined the question of the level of development of capitalism necessary for the elimination of private property; formulated the historical task of the dictatorship of the proletariat in this period (the abolishment of the economic domination of capitalism, socialisation of the means of production, development of the productive forces, elimination of the contradictions between town and country, and between mental and physical labour); revealed the main features of communist society; and gave a scientific substantiation of the need for a communist party of the working class. After the defeat of the bourgeois-democratic revolution in Europe, in November 1849 Engels emigrated to England, where he was actively involved in publishing the *Neue Rheinische Zeitung. Politisch-Ökonomische Revue*. In 1850, Engels published there his work "The Peasant War in Germany", which generalised the experience of the 1848-49 revolution. Applying the dialectico-materialist method to the study of one of the most important periods in Germany's history, Engels characterised the peasant war as an early bourgeois revolution, and revealed the revolutionary potential of the peasantry as an ally of the proletariat. In a series of articles "Revolution and Counter-Revolution in Germany" published in 1851-52 in the progressive American newspaper *New-York Daily Tribune*, Engels, generalising the experience of the struggle of classes and parties in Germany in 1848-49, concretised the fundamental problems of the materialist understanding of history. Throughout the entire period of the evo-

lution of economic theory (1850s-1870s) Engels worked closely with Marx. Engels's reviews of Marx's work *A Contribution to the Critique of Political Economy* and of Volume I of *Capital* greatly facilitated the spread of Marx's economic theory in the workers' movement, bringing out *Capital*'s content and its communist orientation. In *Anti-Dühring* (1878), Engels counterposed the main propositions of Marxist theory, notably Marx's economic theory, to Dühring's petty-bourgeois socialism. The result was an encyclopaedic essay of all three components of Marxism. (A series of Engels's articles *The Housing Question*, written in 1872-73, was also devoted to criticising petty-bourgeois and bourgeois socialism). In *Anti-Dühring*, Engels made extensive use of the material in the first volume of *Capital* to popularise and concretise it as applied to communist economy. Formulated here in concentrated form are conclusions which follow from Marx's economic theory—relating to the communist method of distribution, the fundamental role of social consciousness in communist society, etc. In *Anti-Dühring*, Engels concretised the dialectico-materialist method of economic research and formulated extremely important propositions relating to the subject and method of political economy (political economy in a broad and narrow sense, etc.). After Marx's death in 1883, Engels prepared the third and fourth German editions of Volume I of *Capital* (1883 and 1890) for publication. He edited the English translation of this work (1887). On the basis of Marx's rough manuscripts, Engels did a huge amount of work preparing the second and third volumes of *Capital* (1885 and 1894) for publication and can justly be regarded as the co-author. Of great importance are Engels' additions to the third volume of *Capital*, written by him in 1895 but published posthumously—"Law of Value and Rate of Profit" and "The Stock Exchange" (which was left unfinished). In the first addition, Engels substantiated the objective character of the law of value, tracing its historical development from simple commodity production to capitalist production. In the second ad-

dition he characterised certain new phenomena of the capitalist economy, which closely approach the monopoly stage of capitalist development. Illness and then death prevented Engels from starting out, as he had intended, to prepare the publication of the fourth volume of *Capital*. In 1873-83, Engels worked on *Dialectics of Nature*, in which he gave the dialectico-materialist generalisation of the most important achievements of the natural sciences of the mid-19th century. This work, containing a wealth of philosophical and natural scientific ideas, was published in 1925. In 1884, Engels wrote *The Origin of the Family, Private Property and the State*, in which he summed up Marx's and his outlook on pre-capitalist social formations which had evolved over many years. The theory of the state developed in that work was subsequently concretised by Lenin, above all, in his work *The State and Revolution* (1918) as applied to the new historical epoch. Engels worked out the most important problems of the materialist understanding of history in his work *Ludwig Feuerbach and the End of Classical German Philosophy* (1886) and in his letters about historical materialism (1890-94). Together with Marx, Engels was the leader of the International Working Men's Association, and friend of and adviser to European socialists. "It is impossible to understand Marxism and to propound it fully without taking into account all the works of Engels" (V. I. Lenin, *Collected Works*, Vol. 21, p. 91).

Environmental Protection, initiatives to rationally use and improve the environmental resources. The concept of "resources" includes mineral resources such as the forest, water, soil, etc., territory (as the potential habitat of the population and site of production), recreational resources, places that are aesthetically unique, etc. Under capitalism, the rapacious use of natural resources, the desire to obtain maximum profit in the shortest possible time and the unwillingness to fund undertakings that improve the environment but yield low profits or have a long period of recuperation, led to the aggravation of ecological situation

(see *Ecological Crisis*). Under socialism, environmental protection is one of the most important areas of state activity; it is reflected in the Constitution of the USSR. The socialist system creates objective conditions for the rational use of natural resources, the control of natural processes in the interests of the people, and the improvement of the interaction between society and nature. Marx pointed out that in the work process "man of his own accord starts, regulates, and controls the material reactions between himself and Nature" (K. Marx, *Capital*, Vol. I, p. 173). Only the social forms inherent in socialist relations can adequately provide this regulation and control. The use of nature and environmental protection include the following activities: protection of live nature (flora and fauna, the establishment of reserves, the fight against poachers); the improvement of live nature (afforestation, breeding animals and birds, selection and anti-erosion work, etc.); the fight against pollution (the building and maintenance of purification works, recultivation); the rational use of mineral and power resources (reduction of losses in the extraction and processing of raw materials; use of waste and secondary raw materials); developing new technologies that prevent the pollution and destruction of the environment, scientific research and experimental design work in the use of nature, developing low-waste and waste-free technology; the elaboration of a system of "society-nature" relations (methodological problems, scientific research, education); organisational-economic mechanism of the use of nature. Thus, the economy of the use of nature involves questions of perfecting the entire system of relations of production and of the economic mechanism to improve and if necessary change the existing forms of including nature in economic activity, as well as those of evolving corresponding indicators of the evaluation of the rational use of natural resources, and of the activity of economic units at different levels so as to improve economic management, create less resource-intensive technology, work out planning methods with due consideration of ecological factors, etc. These

are the following aspects of the economy of the use of nature: resource (by the use of certain kinds of resources — renewable and non-renewable), level (by certain levels of nature protection activity), "global" (international, national, industry-wide, regional), problematic (by individual groups of questions — aims and appraisal of the resources, economic mechanism and the use of nature, management and organisation of nature protection activity, price formation, planning and decision making), and legislative. On the legislative side of nature protection there have been important decisions of the CC CPSU and of the Council of Ministers of the USSR — On the Intensification of Nature Conservation and Improvement of the Use of Natural Resources of December 29, 1972 and On Additional Measures for Intensification of Nature Conservation and Improvement of the Use of Natural Resources of December 1, 1978. Special decisions and laws have been adopted for the whole country on certain natural complexes and especially important resources like On Air Protection and On the Protection and Use of the Animal Kingdom (June 1980). Measures are being carried out to improve the operating of bodies engaged in nature conservation, to expand their functions and authority, to improve the planning of nature conservation undertakings and the use of nature, to introduce stricter controls over the state of the environment and observation of fixed standards of discharges, and to ensure the comprehensive examination and evaluation of new construction sites and land development and training of the necessary personnel. A mechanism is being evolved to ensure material incentive for enterprises and organisations in environmental protection and in the comprehensive use of resources. A system of encouragements and sanctions is used for this purpose along with a system of financing conservation initiatives and the appraisal of their effectiveness, an appraisal of the natural resources and consequences of pollution, an account of the time factor and measures to stimulate the comprehensive processing of raw materials

and reducing material and power intensity. Nature conservation is of special significance when developing new areas and in conducting regional policy.

Essential Distinctions Between Mental and Physical Labour, attributable to the first phase of communist society socio-economic differences in the character and conditions of labour and in the cultural and technical level of most of workers, peasants and intellectuals. Socialist society forever abolishes the opposition of mental and physical labour inherent in capitalism, and ensures the community of the basic vital interests of all the working people. However, the standards of the *productive forces* attained under socialism do not yet make it possible to do without manual, uncreative labour in production, or to ensure the organic fusion of mental and physical activity in all production operations. Essential distinctions between the labour of workers, peasants and intellectuals are being overcome gradually, in the course of creating the *material and technical base of communism*, and in moulding communist social relations and bringing up the new and harmoniously developed man. Crucial to this process is the extensive introduction of scientific and technological advance, the implementation of the results of the *scientific and technological revolution*, the completion of the processes of comprehensive *mechanisation of production and automation of production*, overall electrification and use of chemicals in the economy, and on this basis the attaining of a higher *labour productivity* than capitalism can boast of. These conditions make it possible to transform the material base of physical and mental labour and create conditions for their organic fusion into *communist labour*. Also essential is a change in the nature and forms of the *social division of labour* and the creation of socio-economic conditions for the all-round development of the human personality, higher living standards for the entire population, a substantially shorter *working day*, and the expanded development of the system of education and professional training. The combination of

general and polytechnical education with productive labour is a necessary condition for eliminating the essential distinctions between mental and physical labour. Also important are factors like the involvement of the working people in the movement for a communist attitude towards labour, and the initiation and refinement of other forms of *socialist emulation*. With the attainment of the higher phase of communism, socio-economic differences in the labour of the workers, peasants and intellectuals will be completely erased, and all classes and strata of the population will merge into one classless association of the toilers of communist society.

Essential Distinctions Between Town and Country under Socialism, the material-production and socio-economic distinctions between town and country, and between industry and agriculture that are attributable to the first phase of the *communist mode of production*. In the initial period of the socialist reconstruction of society, the rural areas lag far behind the urban development of productive forces, and trail in the development of *social character of labour*, and in material, cultural standards and the quality of everyday life. This was the consequence of centuries of oppression by exploiters from the cities: merchants, usurers, bankers, commercial and industrial capitalists, let alone the landlords. Socialism eliminates the contrast between town and country inherent in all prior class *socio-economic formations*. Relations of comradeship and socialist mutual assistance among working people freed from exploitation emerge and grow between the working people in the urban and rural areas, and the unity of the vital economic and political interests of the working class and peasantry is reinforced. However, socialism is not in a position to immediately overcome the traditional lag in rural development behind urban, or of agriculture behind industry, which results in significant socio-economic distinctions between them lingering for a rather lengthy period of time. The domination in town of the higher

form of socialist ownership of the means of production represented by *state socialist property* (*belonging to all the people*) is unchallenged. The process of socialist transformation of a multitude of scattered private peasant households into large collective enterprises results in the appearance and development of *collective farm-and-cooperative property*, whose further development proceeds under a determining influence of public ownership. Collective farm-and-cooperative property and cooperative enterprises differ from property of the whole people and state enterprises by their lower level of socialisation of production, by the kind of economic turnover of the produce, and by certain peculiarities in the remuneration for labour, production organisation and management. Despite the accelerated development of the material and technical base of agriculture, the equipment to labour ratio in agriculture is still below that of industry. There are still appreciable differences in the levels of general education and professional and technical qualifications of the industrial workers and the workers at agricultural cooperatives, and in cultural amenities in urban and rural areas. Under developed socialism there is a gradual obliteration of the material, production, social and economic differences between town and country, between industry and agriculture, and between the working class and the cooperated (collective farm) peasantry. Specialisation and concentration of agricultural production is being intensified on the basis of inter-enterprise cooperation, and agro-industrial integration is gaining momentum (see *Integration, Agro-Industrial, under Socialism*). As the *material and technical base of communism* is created, the material and technical level of agricultural production is coming closer to that of industry. Being built in rural areas are industrial-type enterprises for the primary treatment and processing of agricultural produce, as well as allied enterprises of the light and food industries operating on a seasonal basis making it possible to more effectively and amply utilise rural labour resources. The availability of machinery and equipment for agricultural production has been greatly increased, achievements

of the *scientific and technological revolution* are being introduced, and professional rural personnel are growing in number. All this is contributing to the successful solution of the problem of placing agricultural production on an industrial footing, and to turning agricultural labour into a variety of industrial labour. The USSR is consistently working on a programme of turning agricultural labour into a variety of industrial labour, of building in the rural areas a network of educational institutions, centres of culture, health care, retail trade, public catering, service and municipal facilities, and transforming settlements and villages into modern townships. The incomes of collective farms and collective farmers have grown considerably, and the material and cultural standards of the rural population have been greatly improved. The process of convergence of the two forms of socialist ownership and the two types of socialist enterprises now underway will end with their merging and the formation of a single type of ownership of the means of production by the whole people. As a consequence, socio-economic differences between town and country will disappear, class distinctions between the workers and peasants will be removed, and a classless society will emerge. Only slight distinctions between town and country will remain arising from the natural conditions of life and labour. Greater social homogeneity via eliminating class differences, the essential distinctions between town and country, and between mental and physical labour is an important social objective of the Soviet state and proclaimed by the USSR Constitution.

Eurodollars, American dollars circulated outside the United States and serving the needs of state and private organisations as international liquid assets. Appeared originally in Europe; hence their name. The bulk of Eurodollars exists in the form of accounts in credit establishments. Transactions in Eurodollars are usually cash-free. The field of operation with Eurodollars, the Eurodollar market, was evolved in the second half of the 1950s as a result of certain processes in the world capitalist economy, including the accumulation of

dollar resources abroad, the key role the dollar began to play in international payments, the introduction of mutually convertible currencies in the second half of the 1950s, increasingly liberal conditions for foreign trade and the export of capital, the growing power of the international and national monopolies, which seek unhindered access to credit sources, etc. In the 1970s, the development of the Eurodollar market received a fresh impetus from the sharply increased currency surplus — *petrodollars* of certain developing oil-producing countries, deposited with West European banks. As distinct from the national money markets and loan capital markets, the Eurodollar market is not subject to regulation by governments or international bodies. This, as well as the ease with which considerable credit can be obtained, enhances the monopolies' interest in transactions on the Eurodollar market. It is also a profitable field of activity for creditors. Apart from Eurodollars, this type of transaction is carried out, though on a lesser scale, in the currencies of other capitalist countries (West German marks, which thus become Euromarks, British pounds sterling — Eurosterling, etc.). These currencies are often referred to as Euromoney or Eurocurrencies. Besides Europe, which remains the chief centre of attraction for currencies that have, from the legal point of view, split away from their national ground, other regions of the capitalist world such as the market for Asian dollars, etc. are at present the market for them. The market for Eurodollars and other similar currencies plays a contradictory part in the economies of the capitalist countries. It meets the need for the reproduction of liquid assets and extends the boundaries of crediting but, at the same time, it exacerbates the contradictions of the capitalist system. On the market of Eurodollars, monopolies circumvent administrative measures aimed at holding credit within national boundaries. The use of Eurodollars contributes directly to inflation and currency differences in the world capitalist economy.

European Economic Community, (EEC, Common Market), an international

state-monopoly association set up in 1957 by six West European countries — France, the FRG, Italy, Belgium, Holland and Luxemburg — with a view to uniting their national markets into a single one in order to raise the profits and increase the competitive ability of their monopolies. In 1973, the EEC was joined by Britain, Denmark and Ireland, and in 1981, by Greece. The economic objectives of the community were: free movement of goods, capital and labour power within the EEC, unification of prices and duties, coordination of foreign-trade policy, etc. In the late 1960s, customs duties and quantitative restrictions were abolished in the trade between the EEC countries, a uniform customs tariff towards the third countries was introduced, a single agrarian market set up and steps were taken to unify the systems of taxation and establish a European currency system. The EEC has been quite successful in setting up a customs union, but the establishment of the economic and currency coalition, which demands a coordinated economic policy, is hampered by serious contradictions between the countries, which have intensified in the setting of the crisis of the capitalist currency system, and particularly the 1974-75 world over-production crisis. From the very start, the founders of the Common Market planned not only the economic integration of West European countries but also a political alliance. In this connection, the EEC was viewed as the economic basis for a further military and political consolidation of the West European countries and for forming a political union closely associated with NATO. The subsequent development of the Common Market saw a clash between two bourgeois concepts of the community's political prospects, this reflecting the profound contradictions between the financial oligarchy of the EEC member states. The formation and further expansion of the EEC reflect an objective process — the internationalisation of modern productive forces, but the imperialist contradictions between its members and between the EEC and other imperialist centres are increasing, frequently leading to crises within the community and forcing its individual

dual members to go back on jointly adopted decisions. Initially, the sharpest contradictions existed between the monopoly capital of the FRG and France, but since the expansion of the community — between these two countries and Britain. Besides, the contradictions between the major European capitalist countries and the rest of the EEC members are also getting worse. The relations between the Common Market and the socialist countries will depend on how realistically the EEC member states estimate the situation in the socialist part of Europe and on their willingness to establish the equitable, mutually beneficial cooperation offered by the CMEA.

European Free Trade Association (EFTA), an international state-monopoly association of West European countries set up in 1960 by Britain, Sweden, Norway, Denmark, Austria, Switzerland and Portugal to expand trade between these countries, the aim being to counterbalance the activities of the Common Market (see *European Economic Community*). In 1970, EFTA was joined by Iceland. In 1961, Finland became an associate member. In 1967, the EFTA countries abolished customs duties and quantitative restrictions on industrial goods sold within the association. As distinct from the EEC, EFTA did not plan to evolve a coordinated foreign-trade policy towards third countries or set up an economic and political alliance. The abolition of trade restrictions did promote trade within the association, but not to the hoped-for extent. In the early 1970s trade within the EEC reached almost half its gross trade turnover, while in the EFTA only a quarter. The association plunged into a deep crisis. In 1973, Britain, the principal member state, and Denmark left EFTA to join the EEC, and this in fact signified the disintegration of the association, although it still formally exists. The remaining EFTA member states have been obliged to sign an agreement with the EEC on setting up a zone of free trade in industrial goods by 1984.

Evening Out (Rapprochement) of Economic Development Levels of the Socialist

Countries, the way, typical of socialism, of combining the internationalisation of economic life with greater cooperation in the sphere of politics and ideology, and with the evening out of the levels of social and economic development of individual countries. The principal condition for this is maximum utilisation of advantages provided by the new social system and the *world socialist economic system*. This is manifested, on the one hand, in the overall mobilisation of internal reserves, and, on the other, in greater cooperation and mutual assistance, and international specialisation and cooperation of production. This regularity becomes especially evident at the current stage of the world socialist economic system, when the USSR has built a developed socialist society, several other countries are engaged in this process, and when mature forms of cooperation between them are evolving. The drawing together of the socialist countries makes the division of labour between them (see *Division of Labour, Socialist International*) an organic part of the rational internal economic activities of each. The economic objectives of individual socialist countries become more closely intertwined with the goals of economic development of the socialist community as a whole. More and more common elements appear in these countries' political, economic and social life, and their development levels are gradually equalised. Life itself sets the task of increasing plan coordination with concerting the entire economic policy. The drawing together of the structures of economic mechanisms, the further development of immediate links between ministries, associations and enterprises involved in coordination, and the setting up of joint firms become the order of the day. The growing closeness of the socialist countries in the economic sphere finds its concentrated expression in economic integration (see *Integration, Economic Socialist*) among the CMEA member countries, which is an effective way, typical of developed socialism, of dealing with the basic economic problems the socialist community countries encounter in their development, by joining their efforts internationally. The materials

of the CPSU congresses, as well as the congresses of the communist and workers' parties of the other CMEA members, emphasise that the tasks facing the community in social and economic evolution can be dealt with only by further enlarging the all-sided cooperation between the socialist states, and closely linking this with the social and economic development tasks tackled by the individual countries, and by making substantial modifications in the structure and technological level of material production according to the concerted plan. The evening out of the economic development levels of the socialist countries is expressed in the increasing similarity of indices such as per capita national income and industrial output, labour productivity, real incomes, etc. Economic rapprochement between the socialist countries is proceeding in two interlinked aspects: first, the evening out of their economic development levels, and second, the establishment and consolidation of socialist economic cooperation between the countries. The more even economic development levels do not, however, mean that all distinctions have been eradicated, in particular, this does not concern those stemming from the countries' natural conditions, specific national features and historically formed structures of mass requirements, etc.

Excess Surplus Value, excess of *surplus value* appropriated by an individual capitalist thanks to the lower individual value of the commodity produced at his enterprises, as compared to the social value of this commodity. Excess surplus value is a type of *relative surplus value*, since both result from higher labour productivity. Yet, unlike relative surplus value obtained from the higher social productivity of labour, the source of excess surplus value is the higher individual productivity achieved at a given enterprise thanks to new techniques, progressive technology and improved methods of production organisation. The individual value of a given commodity falls below the social value determined by the average social conditions of its production, and the capitalist sells that commodity

at a higher social value. The result is a gap between the social and individual value, which enables the given capitalist to derive additional income in excess of the normal surplus value he would obtain in accordance with the general rate of surplus value. The possibility of making excess surplus value impels the capitalists to introduce discoveries made in science and technology in production, to improve technological processes and to organise production and labour more rationally. These technical innovations are kept secret, which hampers overall technical progress. The production and appropriation of excess surplus value is a temporary occurrence: as soon as scientific and technical achievements are assimilated by most of the producers in a given industry, the social value of a given commodity falls, and the excess surplus value disappears. Yet it can be obtained at other capitalist enterprises where more improved instruments of labour, technological processes, etc. are employed, which again lowers the individual value of the commodities thus produced. The appropriation of excess surplus value encourages the *concentration of production*, since big business is in a position to use all the achievements of science and technology in production. In the course of *competition*, the big capitalists can price their goods below the social value, sacrificing part of the excess surplus value and thus ruining their rivals. The possibility of obtaining excess surplus value is especially important in the epoch of imperialism. Big monopolies obtain superprofits not only through maintaining high monopoly prices; they also introduce scientific and technical achievements in production in order to gain an edge over small and medium capitalists. Because of this, excess surplus value becomes a stable source of monopoly superprofit. The acceleration of scientific and technical progress in the current scientific and technological revolution enables big monopoly capital derive huge superprofits.

Exchange 1. The exchange of activity between various people, alienation of the product of labour on an equivalent basis,

a phase of social *reproduction* linking *production* and *distribution* determined by it, on the one hand, and *consumption*, on the other. The *social division of labour* is a general prerequisite for exchange. The nature and the form of exchange depend on the social system and on the type of ownership of the means of production. In capitalist society, where private ownership of the means of production dominates, exchange of activity assumes the form of *competition* in which one class exploits another. This inevitably leads to the ruin of one and enrichment of others. In socialist society, public ownership of the means of production determines the exchange of labour activity among people in the form of comradely cooperation, mutual assistance and *socialist emulation*. The exchange of the activity among people in certain conditions is the exchange of the products of labour carried out beyond the limits of the direct production process. With the development of private ownership and the intensified division of labour, the exchange of products as commodities develops, and certain commodities (principally silver and gold) divide themselves off as a *universal equivalent* with the appearance of commodity circulation. In capitalist society, the manufacture of commodities becomes universal in character with the *labour power* becoming a commodity and with exchange performing the function of the realisation of *surplus value*. Under socialism, because of commodity-money relations, goods are produced as commodities, but are principally different in nature than they are under capitalism (see *Law of Value; Socialist Trade*). When complete communism is arrived at, there will be no necessity for commodity exchange. As regards the exchange of the activity among people, it will attain its acme on the basis of the complete unfolding of the creative potential of labour, and of its becoming prime necessity of life.

2. The most developed form of regularly operating market for conducting a variety of transactions. Appeared in the 15th and 16th centuries. The first exchanges

had a universal character, such as the Amsterdam exchange which was founded in 1608 and has retained its universality to this day. By 1914 there were 115 exchanges listed in the Russian Empire. By the decrees of the Soviet government in 1917 and 1918 transactions in securities were forbidden, and the state bonds of the tsarist government were cancelled. The capitalist countries have commodity, stock and labour (employment bureaus) exchanges. **COMMODITY EXCHANGE** — a market in which large wholesale deals are concluded on samples. The item of transaction on a commodity exchange may be only a single commodity in large quantities (cotton, grain, metal, etc.). It is divided into lots according to sample and standard, which are equal in quality. The seller must deliver the sold product to the buyer within the time and at the price specified. Transactions on the commodity exchange are usually of a short-term nature (under 14 months), with the most common time limit being six months. Commodity exchanges are centres of speculative trade based on play with the raising and lowering of prices. Commodity exchanges can exist in combination with stock exchanges, or independently — in a number of cases even for individual items. New York, for example, has the world's oldest cotton exchange. In the epoch of imperialism the operating commodity exchanges are in practice controlled by the monopolies. The monopolies themselves sell an increasing quantity of commodities, by-passing the exchanges and thereby reducing their role. **STOCK EXCHANGE** — a market for the sale and purchase of securities. Two basic kinds of security circulate on stock exchanges: 1) shares in private companies, and 2) bonds issued by the government, local authorities, and private companies. The rates (selling prices) of securities frequently change through the influence of the demand that develops for them, and through changes in the scale of the *dividend* and the *rate of interest*. Changes in the economic situation have a great influence on the fluctuation of rates. Share prices fall in periods of crisis and rise in periods of industrial expansion. But there

can be a decline in share prices even in periods of economic growth, as was observed in the USA, Italy, Japan and the Federal Republic of Germany between 1961 and 1965. Only the largest monopolies' securities circulate on the contemporary exchange market, giving rise to the so-called over-the-counter market in which any securities may circulate. Transactions conducted on the stock exchange can be divided into two basic kinds: cash, when the money for the acquired securities is paid within the next two to three days, and forward, whereby the shares must be handed over and the money paid within a definite period, usually within a month. Forward transactions are of a speculative character. At the moment the deal is concluded, the seller may not possess the shares and the buyer may not have the money. If the selling price of the share has risen by the time the transaction is completed, the buyer will have gained, since he obtains the shares at a lower price, or he receives the difference in the selling price. If the selling price of the share drops, then the seller has gained. Speculation on the exchanges is a means of the *centralisation of capital*, and helps enrich the big shareholders. **LABOUR EXCHANGE** (employment bureaus)—a market for the sale and purchase of *labour power*, formed of institutions which act as intermediaries between workers and employers in the hire of labour. Today's labour exchanges are usually government institutions under the ministry of labour. The state acts through them in the interests of the monopolies to influence the labour market. The functions of the labour exchange are: 1) finding work for the unemployed; 2) helping those wishing to change their job; 3) study of the current labour market situation and providing information about it; 4) occupational guidance to the young; and 5) in several countries registration of the unemployed and payment to them of their benefits. Employers are under no obligation to accept those sent to them for work by the labour exchanges since they have the right, and prefer, to employ workers through their own personnel departments. Under capitalism the labour exchange can-

not free society from *unemployment*. Bribery, and racial and political discrimination flourish on these exchanges, and in conflicts between workers and employers the labour exchanges usually take the side of the employers. In the Soviet Union, labour exchanges were an important means in the hands of the proletarian state for eliminating unemployment in the *period of transition from capitalism to socialism*. They ceased to exist in the USSR in 1930, as full employment made them unnecessary.

Exchange Rate, price of a country's monetary unit expressed in the monetary units of another country; a certain ratio between foreign currencies. The exchange rate was sometimes called the bill-of-exchange rate, since up to the early 20th century the bill was the main document of payment. Deals involved in the sale and purchase of currencies, foreign trade transactions, overseas investments, tourism, etc. are carried out in conformity with the exchange rate. To what extent it vacillates depends on the operative international monetary system. The establishment of the exchange rate is called the quotation. In direct quotation, a foreign monetary unit is evaluated in the monetary units current in a given country (e. g., in July 1980 in the USSR, one US dollar was quoted at 63 kopecks); in reverse quotation, which is applied only in the monetary system of Great Britain, the monetary unit of the national currency is expressed in the monetary units of a foreign currency. The exchange rate is based on gold parity, i. e., the legally-established ratio between the gold content of various national currencies. Depending on demand and supply on the exchange market, which by and large hinges on the current state of the country's balance of payments, the exchange rate may greatly vacillate around the gold parity if the capitalist state does not apply certain measures to regulate it. In the epoch of the *general crisis of capitalism* and given chronic *inflation*, the exchange rate is determined largely by the extent to which paper money loses its value with respect to commodities and gold. The

exchange rate markedly influences the country's foreign trade, since the competitiveness of its commodities on the world commodity market depends largely on that rate. While the exports of a country with an overstated exchange rate decline and imports are stimulated, the exports of countries with an understated exchange rate are encouraged, and their imports contained. Therefore, if the balance of payments deteriorates, countries will reduce their exchange rate, i. e., resort to devaluation. The exchange rate has two forms: official and free; the former is established by the country's central monetary agency, while the latter is determined by the exchange market. Since the beginning of World War II, the capitalist countries have been pursuing a policy of regulated exchange rates. The member states of the *International Monetary Fund* were obliged by its Articles of Agreement to coordinate with the Fund the gold content of their currencies and parity rates with respect to the US dollar, and maintain the actual dollar rate of the national currencies without allowing for deviations of more than one per cent from the parity rate. After the devaluation of the US dollar (in 1971), the scale of vacillation increased to ± 2.25 per cent. As the crisis of the *monetary system of capitalism* heightened, these restrictions were dropped and several capitalist countries introduced floating exchange rates, i. e., rates which are not regulated by the state, but are determined by the exchange market. In capitalist currency deals, the currency is usually sold at a slightly higher rate (selling rate) and bought at a slightly lower rate (buying rate), with the difference between the two rates comprising the bank's revenue from exchange transactions. Commercial deals are effected on the exchange market not in foreign currency as such, but by cheques, telegraph transfers, banknotes, promissory notes, letters of credit, etc., i. e., by means of payment and credit documents expressed in terms of foreign currencies. Given the current chronic inflation and instability in the balance of payments, the going exchange rates do not usually correspond to their real purchasing power with respect

to gold and the mass of commodities. In the socialist countries, the exchange rate is based on the socialist economic system, which is organised according to plan, is exceptionally stable, and not given to spontaneous market vacillations. It is established on the plan principle and takes into account purchasing power within the entire range of commodities. Foreign exchange rates with respect to the Soviet rouble are established by the State Bank of the USSR by direct quotation, and are fixed on the basis of the official gold content of the rouble and the going rate of a given foreign currency. The *Comprehensive Programme for Socialist Economic Integration* envisages a set of measures on the introduction of mutual convertibility of the collective currency — the *transferable rouble* — and the national currencies of the CMEA member countries, on the scientifically-based and mutually agreed rates of their national currencies both with respect to the transferable rouble and among themselves, and on the creation of conditions for establishing a uniform national currency rate in each country.

Exchange Value, the form of manifestation of the *value* in the act of exchange; the quantitative relation or proportion in which various goods are exchanged. Exchange value is an external expression of value, because the equation of goods (commodities) to each other is the only possible form in which the social character of labour in commodity production can manifest itself. The exchange value of commodities, their quantitative relation, is determined by the social labour expended by commodity producers in creating exchangeable goods, i. e., by their value. Marx was the first to study the development of the form of value as the reflection of the process of the development of *commodity production and exchange* on the basis of the expanding *social division of labour*. As a manifestation of value, exchange value expresses *relations of production*; in the simple commodity economy it expresses the relations between small commodity producers, while in capitalist production it expresses primarily the relations

between capitalists and wage workers, as well as relations between capitalists. In a socialist society the exchange value expresses socialist production relations, and the expenditures of socialist enterprises on manufacturing commodities.

Excise (Excise Duty), a variety of indirect tax, predominantly on articles of mass consumption, such as wine, spirits, tobacco products, salt, matches, petrol, and mineral oil. Excise is paid to the state by producers and dealers in these commodities. It is included in the retail price of commodities or service tariffs; thus the load is shifted onto the consumer, mostly belonging to the less affluent sections of the population. Lenin wrote, "indirect taxation affecting articles of mass consumption is distinguished by its extreme injustice. The entire burden is placed on the shoulders of the poor, while it creates a privilege for the rich. The poorer a man is, the greater the share of his income that goes to the state in the form of indirect taxes" (*V. I. Lenin, Collected Works*, Vol. 6, p. 336). In the period when capitalism was taking hold, the system of excise duty was all-embracing. Eighteenth-century England had around 200 kinds of excise duty. In tsarist Russia, excise duty, together with the state monopoly of the wine trade, yielded up to 50 per cent of budget revenues. Modern capitalism also shows a tendency to expand the range of commodities subject to excise duty. So-called universal excise, when the whole industrial and trade turnover is subject to taxation, is widespread. Excise duty remains a major source of revenue for capitalist states. In the US federal budget, the share of indirect taxes and dues reached about ten per cent of total revenues in the 1976/77 fiscal year. A considerable part of indirect taxes in the USA is concentrated in the budgets of individual states and local government bodies, where they serve as a major source of revenue. Excise duties are widespread in a number of developing countries. Available data show that, in the mid-1970s, the share of excise duty in state revenues was 53 per cent in India, 51 per cent in Argentina, and 70 per

cent in Brazil. In the USSR, excise was applied during the New Economic Policy. In 1930-31, the taxation reform abolished this system; in the other European socialist states, it was abolished in 1948-49.

Expansion and Reconstruction of Running Enterprises, ways to increase their capacity and improve facilities. Expansion of enterprises implies the introduction of new shops and work areas and the hiring of additional labour. The effect is greatest when the enterprise is expanded by replacing facilities and introducing the latest highly efficient technology. Reconstruction is a radical overhaul in which fixed assets are renewed and production organisation and techniques are significantly changed. Reconstruction is designed to improve the technology, techno-economic indices, and working conditions. The advantage of reconstruction and overhaul over the building of new enterprises is that available buildings and structures are used and money which would be allotted to the production infrastructure can be saved. Furthermore, the skilled work force, housing and cultural amenities of the existing enterprises are used. Capital investment in reconstruction is on the average 8 to 10, and in some cases 25 to 30 per cent more productive than in new construction. The time of introducing production capacities is reduced by a third to a half. The funds for reconstruction and technical overhaul are steadily growing in the USSR. A range of measures is currently being taken to encourage technical overhaul and reconstruction of existing enterprises. Managers of production combines (enterprises) are empowered, within the limits of capital investment, construction and assembly activities, and material funds, to approve lists of facilities for technical overhaul independent of the total estimated cost of the activities. Forms of material incentives for people involved in the overhaul are extended. Whenever economically and technically sound, ministries and agencies are allowed to establish specialised construction and assembly bodies to do technical overhauls and reconstruction.

Exploitation of Man by Man, gratuitous appropriation by the class of owners of the means of production of the surplus and at times of a part of the necessary labour of the direct producers. The exploitation of man by man arose as a result of the appearance of *surplus product*, private ownership of the means of production and the division of society into antagonistic classes. Exploitation is inherent in all *socio-economic formations* founded on private ownership of the means of production — the slave-owning system, feudalism, and capitalism. The character of the given society's dominant relations of production determines the corresponding forms of exploitation. Exploitation in the slave-owning system was based on the slave-owners' total ownership of the means of production and of the toilers — the slaves — themselves; the feudal form of exploitation was based on the feudal lords' ownership of the land and partial ownership of the peasant serfs; capitalist exploitation is based on the capitalists' ownership of the means of production and on the hired labour of nominally free workers. Capitalism is the last exploiting system in human history. After the triumph of the socialist revolution, when capitalist ownership of the means of production is abolished and social ownership is established, the exploiting classes are liquidated and all exploitation of man by man is eliminated.

Export, export of goods and other material values from one country for sales on foreign markets. Among the objects of export are items manufactured in the country, goods which have been imported from abroad and then processed, and sometimes goods coming from other countries which have not been processed (re-export). Export, just like *import*, is brought about by the development of *commodity production*, the international capitalist division of labour (see *Division of Labour, Capitalist International*) or the international socialist division of labour (see *Division of Labour, Socialist International*). The customs statistics of most countries, depending on how they are tabulated generally, subdivides com-

modity export into special export, which includes domestically produced commodities or foreign goods at least partially processed and exported to other countries, and general export, which also includes transit goods, i.e. foreign goods imported into the given country and then exported without processing.

Export of Capital, the transfer of capital, owned by monopolies and the financial oligarchy of one country, to other countries in order to raise monopoly profit, strengthen their economic and political positions in the struggle for overseas markets, and expand the sphere of imperialist exploitation. The export of capital is typical under imperialism: it is one of its most important economic features. The need for and possibility of exporting capital are the result of changes in the capitalist economy as monopolies emerge. Monopoly domination of the major industries prevents the sufficiently profitable application of new capital and gives rise to a relative "surplus" of capital, which begins to look for a sphere of profitable investment abroad. The biggest monopolies, which have immense capital at their disposal, become major capital exporters. As history has shown, capital first began to flow to the economically backward countries, colonies and semi-colonies, where labour and land were cheap, so that a high rate of profit was guaranteed. The import of capital to these countries helped expand the sphere of capitalist exploitation and bring capitalist relations of production there. However, foreign capital prevented the growth of national capital, and was a means of the further enslavement of the economically backward countries by the imperialist powers. The monopolies of the imperialist powers obtained huge profits abroad through the export of capital, which enabled them to allocate certain means to bribe the "privileged sectors" of the working class at home. Lenin called the export of capital "parasitism raised to a high pitch" (V. I. Lenin, *Collected Works*, Vol. 23, p. 106). There is a constant struggle between the imperialist powers for the spheres of application of capital, which was

one of the reasons for the creation of the *colonial system of imperialism*, where the monopolies of the metropolis enjoyed privileges in applying their capital. Today this struggle has become especially acute. It is being waged between the imperialist powers and between monopolies for economic domination in certain countries or regions of the world. The export of capital is important as a factor making it possible to step up the export of commodities. Capital is exported in two basic forms: as entrepreneur capital and as loan capital. The former is invested in industry, agriculture, finance and trade. The owner of the exported capital obtains entrepreneurial profit. Capital investment in foreign enterprises is called direct if it is sufficient to ensure control of them; and portfolio, if it is not great enough to ensure control. The export of loan capital takes the form of loans, credits—including export credits—deposits in current accounts in foreign banks, etc. Exported loan capital brings in interest. As the general crisis of capitalism is aggravated, and colonialism is forced out of existence, the export of state-owned capital by the imperialist powers in the form of loans, credits and subsidies to former colonies and dependent countries also becomes an important form of the export of capital alongside that exported by private monopolies. The above-mentioned means, which the imperialists try to say is “assistance” to the young national states, have in fact political and economic strings attached which benefit the monopolies, and are a major form of *neo-colonialism*. They are used to support pro-imperialist regimes, build elements of an *infrastructure* that help create favourable conditions for private capital investments in the developing countries, accelerate commodity exports from the imperialist powers, and increase the young states' economic dependence on imperialism through their growing foreign debt: the total foreign debt of the developing countries reached 285,000 million dollars in early 1978. Loans and credits provided by the capitalist countries' international financial organisations (International Bank for Reconstruction and Development, In-

ternational Development Association, International Finance Corporation, etc.) are one form of the state export of capital. Political instability and the struggle of the developing countries against foreign capital forced the imperialist powers to insure private investments and private export credits in the developing countries. The directions and structure of the export of private capital are also changing: formerly capital exported to the developing countries was mainly invested in primary industry and plantation agriculture; today it is increasingly invested in manufacturing. However, foreign capital is used only to build enterprises of the incomplete cycle, thus giving rise to new forms of dependence of the developing countries on the imperialist states. The scientific and technological revolution helps monopolies of one group of countries increase exports of capital to other industrialised countries. This is a consequence of the striving of the biggest corporations with superior technology to use it to monopolise the production of certain products not only at home, but also throughout the capitalist world. The export of capital to the industrialised countries increases the interdependence of the economies of the capitalist countries, expands the role of the *transnational monopolies* and *inter-national monopolies*, and exacerbates imperialist contradictions.

Export of Commodities under Capitalism, a major form of economic link between countries produced by the international capitalist division of labour (see *Division of Labour, Capitalist International*). Compared with the slave-owning and the feudal systems, capitalism greatly expands the scale of commodity exports as one of the ways of attaining the ultimate goal of capitalist production—maximal profits. To do this, the capitalist countries export commodities even if requirements of the domestic market are a long way from being met, provided their sale abroad results in higher profits. Under imperialism, commodity export is closely connected with the *export of capital*, and in certain instances serves as its prerequisite, as a means of maintaining

or establishing domination by monopoly capital of the highly developed countries of the economy of the developing countries. Imperialist monopolies try to sell their goods at high monopoly prices, and mould the export to enhance the technical and economic dependence of the newly-free countries on major capitalist powers. Commodity export is also extensively used by the capitalist powers as a means of political pressure, since, when purchasing the goods they need, the young states have to comply with certain conditions of a non-economic nature. Commodity export under capitalism is a graphic manifestation of the heightening competitive struggle. A country's share of world capitalist exports is an important indicator of its economic strength. Since the war, the biggest capitalist world exporter has been the USA. However, its share of the overall export of commodities from the capitalist countries is steadily declining: from 18 per cent in 1950 to 15.4 per cent in 1970 and 12 per cent in 1980. The share of several other capitalist countries, Japan and the FRG in particular, is correspondingly growing. The share of the EEC countries and Japan in the capitalist states' export reached 43 per cent in 1980, as compared with 30 per cent in 1950. Imperialist competitive struggle for profitable commodity exports is becoming more and more fierce as the territorial borders of the world capitalist market (see *World Market, Capitalist*) are shrinking, and inter-imperialist contradictions growing more acute.

Expropriation, gratuitous or compen-

sated deprivation of property under duress, regardless of the consent of the owner, by private individuals or by the state in the interests of a definite class or of society as a whole. In the period of the *primitive accumulation of capital*, the bourgeoisie instituted mass expropriation of small peasant property, forcibly depriving peasants of the land, and ruined small-scale commodity producers, turning them into proletarians. Under capitalism, mass expropriation of small owners continues, intensifying under imperialism. Competition between capitalists themselves leads to big capital swallowing small and medium capital, to further *concentration of capital* and *centralisation of capital*, and concentration and centralisation of production in several hands. The centralisation of the means of production and the socialisation of labour lead to the elimination (expropriation) of capitalist property. With the triumph of the October Revolution in Russia, as well as the socialist revolutions in several other countries, the proletariat expropriated the means of production belonging to the capitalists and landlords and made them social property. The private property of small commodity producers (peasants, artisans) is not expropriated following the socialist revolution, but is converted into socialist property through the small commodity producers voluntarily forming cooperatives and being involved in building socialism, with the material and financial support of the socialist state.

F

Fertility of the Soil, Economic, the soil's ability to yield farm produce, resulting from man's improvements in its composition and in his farming methods. It is closely linked with natural fertility, i. e. the total of the soil's physical, chemical and biological properties determined by nature. A rise in the economic fertility of the soil results in bigger harvests and an increased output per hectare of land. It is determined by the character of the dominant system of production. Marx wrote that "fertility is not so natural a quality as might be thought; it is closely bound up with the social relations of the time" (K. Marx, F. Engels, *Collected Works*, Vol. 6, p. 204). Capitalist relations of production are responsible for the predatory use of land. The capitalist tenant is interested in investment that yields quick returns. Under capitalism, the criterion of economic fertility is profit. Economically fertile land is taken as that which yields average profit and rent; and at the stage of imperialism — monopoly profit. Public ownership of land creates the objective conditions for the scientifically-based utilisation of land on the scale of the entire economy, and the steady growth of agricultural production. The *agrarian policy of the Communist Party of the Soviet Union* is aimed at the rational use of the land, its increased fertility, and greater yield from each hectare. This presupposes that each farmer has to be encouraged to treat the land with consideration and care. Today the main factor of increasing soil fertility is the running of agriculture on the basis of *scientific and technical progress* and modern know-how. However, the machinery, fertilisers and other means of production provided to collective and state farms yield the adequate economic effect only when combined with highly effective, rational farming techniques and a broad complex of agronomic, zootechnical and organisational economic measures applied in conformity with the conditions of the

given farm. Rational farming specifically involves specialisation, the introduction of new machines and technological methods, the use of chemicals and land improvement, and the use of new grades of agricultural crops. An important link in the farming system is crop rotation, which determines the composition, ratio and sequence of various crops, with consideration of the farm's soil, climatic and economic conditions. All these factors are closely linked and must be used in their entirety. For instance, the use of chemicals requires planting those crops that can guarantee higher yields with increased amounts of fertiliser. Machinery is needed to spread fertilisers. In making use of the achievements of scientific and technical progress, it is also important to evaluate the long-term consequences of the novelties used, their influence on the quality of the products, on soil condition and on the environment.

Feudal Mode of Production, a mode of producing material wealth, based on the feudal ownership of the main means of production (land), and the personal dependence on them of the producers — peasants engaged in small-scale individual farming on plots belonging to the feudal lords. Feudalism appeared in the 5th century following the disintegration of the slave-owning system, and in certain regions (including that of the Eastern Slavs) of the primitive communal system. Lenin characterised the conditions and consequences of the *corvée system* typical of feudalism as follows: predominance of the natural economy, allotment to direct producers of land and implements of labour, the system of *non-economic coercion* and as a result — a low level of machinery. Landowners (the nobility and clergy) are the ruling class under feudalism, and the peasantry is their antipode. Landownership is the foundation on which landlords obtain unpaid labour or products, i. e. feudal *ground (land) rent* (labour, natural, and money rent). The relative economic independence of the peasants, which was consolidated in the early Middle Ages, led to the growth of the productive forces and, first of

all, to progress in agriculture — the decisive sector of the feudal mode of production (the expansion of the cultivated area, the extension of the three-field system, improved land tilling, etc.). The appearance of towns and the concentration in them of the crafts and trade embodied the development of the *social division of labour* — the separation of the crafts from agriculture. A new social strata of town dwellers appeared, and the conditions arose for the development of *commodity production*. In the 14th-15th centuries, peasants in West European countries were freed from feudal dependence, and then forcibly torn away from their land which was expropriated. As a result, the prerequisites appeared for capitalist production. Class struggle between the exploiters and the exploited raged throughout the feudal epoch. And it came to a head in several peasant revolts: Jacquerie in France (1358), the uprising led by Wat Tyler in England (1381), the Hussite wars in Czechia in the first half of the 15th century, the Peasant War in Germany (1524-1525), wars led by Ivan Bolotnikov (1606-1607), Stepan Razin (1667-1671), Emelyan Pugachev (1773-1775) in Russia, and so on. Bourgeois revolutions, especially the French Revolution in the late 18th century, dealt the feudal system a shattering blow, and it was replaced by capitalism. In Russia, feudalism dominated from the 9th to 19th centuries. And even though the peasant reform in 1861 abolished serfdom, its survivals, such as landownership and the tsarist autocracy, lingered on until 1917. The victory of the Great October Socialist Revolution, the Decree on Land adopted by the Second Congress of Soviets on 26 October 1917 abolished landownership and did away with the remnants of feudalism in Russia. Survivals of feudalism — large landownership, the corvée system, etc. — are characteristic of certain African, Asian and Latin American countries. Therefore, the elimination of the feudal and semi-feudal agrarian relations is an important task of the national liberation revolutions.

Fictitious Capital, *capital* in the form of securities, which bring profit to

their owners. Securities — shares (see *Stock [Share]*) and *bonds* of various enterprises, state bonds and bank mortgages — are issued to show that a certain sum is loaned or given over to establish an enterprise. In this connection, their owners are entitled to receive a set profit, which comes from the *surplus value* created by wage labourers in the process of capitalist *production*. Shares bring their owners profit in the form of *dividends*, while bonds yield profit in the form of *interest*. Shares and bonds are bought and sold on the stock *exchange* (2). Unlike operational capital invested in various sectors of economy, fictitious capital does not have intrinsic value and is not real wealth, which is why it does not perform any function in the process of capitalist reproduction. This is brought to light in a particularly striking way during stock market calamities, when the value of shares and bonds goes down sharply, while the actual national wealth remains the same. Alongside this, profiteering in shares and bonds and the lowering or raising of their selling price are effective means of enriching the big bourgeoisie at the cost of the ruin of small and medium holders of shares and bonds. As bourgeois society develops, fictitious capital grows faster than real capital because of the extensive development of the shareholding form of enterprises, greater profits received from securities as various monopolies thrive, the lowering rate of interest, and the increasing national debt. Fictitious capital grows particularly rapidly in current conditions as a result of the further concentration of social wealth in the hands of the *financial oligarchy* and the increasingly parasitic character of capitalism.

Final Results of Production Activity, a form of implementing the objectives immanently inherent in any *mode of production* and the means for achieving this objective, i. e., its fundamental economic law. The character and social content of the final results are determined by the reigning system of *relations of production*, primarily by the type of owner-

ship of the means of production and the corresponding *economic interests*. In capitalist society, final results are assessed from the viewpoint of individual capital, and assume the form of mass and *rate of profit*, as a form of the realisation of the law of *surplus value*. Under socialism, whose economic base is public ownership of the means of production, the final results mirror the movement of social production as an integral whole, and therefore represent the final economic result characterising the degree of satisfying social needs, and the effectiveness of resource utilisation. These aspects (satisfying social needs and the effectiveness of production) correspond to the basic interests of society, and are a form of the realisation of the *basic economic law of socialism*. The fact that socialist production is aimed at meeting the needs of society and achieving the all-round development of each individual objectively highlights social *use value*. Therefore the quantitative characteristics of the final results are required to express the quantity and usefulness of the products of social production meant for meeting both current and long-term requirements of the society as a whole. At the same time, the quantitative characteristics should take into account the effectiveness and the rational use of labour, material, natural, and financial resources. All these demands are most fully met by the physical volume of the *national income*, its mass, growth rate, and correlation with the resources used in social production. In the socialist economy, the final economic results reflect the movement of the product along all the phases of social *reproduction*, up to its ultimate consumption by the people, for the purposes of accumulation, export or strengthening the country's defences. Thus, in agricultural production it is important not only to grow products, but equally important to transport, store and process them, as well as to sell them to the consumer. The same is true of other kinds of produce. This demands the assessment of successes and the *efficiency of social production* not by intermediate stages, but by the final use of its results, and ensuring

smoothly coordinated and balanced development in all the links of social production. The final economic results have their specific forms of expression as far as the activities of individual enterprises, industrial associations, sectors and economic regions are concerned. However, the basic aim is always to meet social requirements and to use the resources in the most effective way. The contribution of any industrial enterprise or association to meeting these needs may be assessed by the furnishing of the product to the consumer in accordance with the plan and contracts signed; therefore, this indicator becomes the basic indicator in planning and assessing the results of their economic activities. The complex assessment of the final results of economic activities and economic incentives of enterprises and associations is ensured by using the following indicators: the fulfilment of a plan of product deliveries on the contracts, growing *labour productivity*, higher *quality of output*, and higher profits (or lower prime cost of production in certain branches). The more developed socialist society becomes, the more fully its immanent *economic laws* are manifested, and the more pressing is the need to orient the system and management methods to achieving final economic results. In accordance with the directives of the CPSU and the Soviet Government, the Soviet Union has worked out and established a system of measures to improve planning and ensure that the *economic mechanism* has a greater impact on raising the efficiency of production and *quality of work*.

Final Social Product, a part of *aggregate social product* which socialist society obtains in the form of manufactures and uses for working people's consumption, for replacing the means of production worn out during the year, and for accumulation. In physical-natural terms, it consists of the *consumer goods* and means of labour society created during a year (see *Means of Production*). The final social product also includes the *objects of labour* created during a year (raw materials, semi-

finished products, etc.), which have not been included in current productive consumption during the given year, but are either used as carry-overs to ensure the continuity of the production process, or go into the reserve stock or insurance fund, or are exported. The final product of socialist enterprises is commodity output. Unlike the final product, the gross social product includes all the items produced and consumed during a year. Therefore, the value of the gross social product differs from the value of the final product by the amount of the objects of labour consumed during the year. The value of the final social product consists of the sum total of expenditures of living and materialised labour which form the newly created and transferred value. By its structure the transferred value of the final product includes the annual wear of the means of labour, expressed by the value of *depreciation*, as well as the value of consumed raw and other materials, semi-finished products, etc., taken from the stocks of previous years. The transferred value of the gross social product includes the value of the used-up means of production, which are a result of previous years, plus (unlike the final product) the value of the means of production manufactured and consumed during the current year, that is, current consumption. For socialist society, it is important to know not only the movement of all labour expenditures and the entire range of production activities, which is reflected in the gross social product, but the actual result of the past year as well. Alongside *national income*, this result is reflected by the final social product (see *Final Results of Production Activity*). An economic analysis of the gross and final social products, as well as an analysis of the national income, provide a definitive picture of extended socialist reproduction (see *Reproduction, Socialist*), while the use of these categories in planning makes the plans more realistic and helps reveal the reserves to ensure higher efficiency of social production.

Finance Capital, monopoly *industrial capital* which has merged with monopoly *bank capital*. The emergence of finance capital, leading to the appearance of the *financial oligarchy* is one of the main indicators of *imperialism*. Finance capital formed in the late 19th-early 20th centuries as a result of the high *concentration of capital* in production and banking. "The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry — such is the history of the rise of financial capital and such is the content of that concept." (V. I. Lenin, *Collected Works*, Vol. 22, p. 226.) Making use of free finances, the banks began to give industrial enterprises not only short-term but also long-term credits, thus acquiring an opportunity of influencing the course of their operation and, in some cases, determining their destiny. The banks' finances were also transferred into industry through buying and selling shares and organising a *holding system*, which allows one with a relatively small amount of bank capital to control far bigger sums of capital owned by others by the possession of the *controlling block of shares*. Alongside this a process is under way in which big banks swallow small banks and form monopoly bank amalgamations — *cartels, syndicates and trusts*. A *personal union*, when one person combines in his hands directorships in both bank and industrial monopolies, plays an essential role in this process. One of the new forms of coalescence are the trust operations in which banks are entrusted by proxy with the control of large shares. National and international *financial-monopoly groups* uniting monopolies of different economic spheres is the modern organisational form of the domination of finance capital. Having subordinated the economy to their will, the finance capitalist magnates steer also the political course of the capitalist countries.

Finances under Socialism, the system of economic relations expressing the planned formation and use of finances for expanded socialist reproduction and the satisfaction of other social requirements.

Finances in socialist society entail the use of money and commodity-money relations in the process of formation, distribution and redistribution of the *aggregate social product* and *national income*, as well as the exercise of financial control over the economic and financial plans of various enterprises (see *Monetary Control*) and the observance of *policy of economies*. Finances help balance the principal elements of the national economic plan by achieving conformity between the material and financial resources. As far as their material content is concerned, finances are the aggregate of the centralised (state) sums of money concentrated directly in the hands of the state, and the funds entrusted to certain cost-accounting enterprises and organisations. State finances are directly connected with the economic activity of the socialist state in organising social production, directing the economy and culture, raising the people's living standards, organising control over the measure of labour and that of consumption, strengthening the country's defence capability, and developing cooperation and mutual assistance among the socialist countries. In the Soviet Union, the following belong to state finances: the *state budget of the USSR*, state social security and social maintenance, and state personal and property insurance. The finances of socialist enterprises go into the formation and circulation of their monetary means, the formation and use of monetary accumulation and other economic incomes. The financial activity of enterprises encompasses monetary relations which evolve in the process of reproduction between the enterprises and the working people, between the state and the enterprises, and between the enterprises themselves. There are the finances of the state enterprises and the collective farms and cooperative organisations. The finances of the state enterprises occupy the leading place. State enterprises play a decisive role in creating monetary accumulation in the country and in forming the national fund of monetary means. The most important principles of organising the finances of socialist enterprises and economic branches are: democratic centralism, planning, links with the

cost-accounting activity of enterprises, stimulating high indices of production and making it more effective, differentiating fixed and circulation assets and sources of their financing, and forming financial reserves. The main financial forms of the distribution and redistribution of the national income are the *turnover tax*, profit (see *Profit of Socialist Enterprises*), allocations for social insurance, the financing of capital investments and *circulating assets*, and the creation of the *social consumption funds*, insurance, reserve and other funds. Tax methods of redistributing the national income in the interest of building socialism were widely used in the *period of transition from capitalism to socialism*. With the construction of socialist society, taxation (see *Taxes*) has lost its class significance, and the perspective is that accumulations of socialist enterprises will be the only source of profit. Profit and circulation tax provide the lion's share of state financial resources in the USSR. The planned use of financial resources makes it possible to fund the implementation of important tasks of building communism like the heightened development of progressive industries which determine *scientific and technical progress*; the rapid development of the productive forces in agriculture, which promotes the gradual elimination of the *essential distinctions between town and country*, and steadily raising the *living standards* of all members of developed socialist society.

Financial-Monopoly Groups, an organisational form of the domination of *finance capital*, an aggregate of industrial, bank, credit, insurance, transport, trade and other companies under the control of one or several closely associated magnates. The group has a head enterprise (a big bank, an industrial trust, an insurance company, etc.) which evolves a common policy for its members. Its principal commercial operations are conducted through the head bank or its branches. The power of the leaders in the group of capital magnates is based primarily on the *holding system*, *personal union* and certain other forms of

domination. Financial-monopoly groups are the centres of the economic power and political influence of the monopoly bourgeoisie. With the *industrial and trade associations* and the imperialist state, they direct economic, financial, credit, investment, research, technical, social, ideological and military policy, and influence the market, direct economic expansion and foreign policy acts of fundamental importance. In the mid-1970s there were about 30 big financial-monopoly groups in the USA, 10 to 15 in Britain and France each, nearly ten in Japan and about the same number in West Germany, and in some smaller industrialised West European countries, such as Sweden, the Netherlands, Switzerland and Belgium — the big "threes" or "fours". They have changed considerably in character during the postwar years. Unions and alliances of financial magnates, linked not only by family, but above all, by business ties, have replaced the formerly dominating individual family oligarchies. The reactionary role of the financial-monopoly groups has intensified in the wake of the deepening and aggravating *general crisis of capitalism*.

Financial Oligarchy, the top echelon of the monopoly bourgeoisie, personally representing *finance capital*. First of all, in this echelon are the big owners — multi-millionaires, millionaires, owners of big industrial, trade and transport monopolies, banks and insurance companies. They directly, and through the holding system, control various businesses and entire industries at home and abroad, as well as the lives of millions of wage workers. Usually every country has several dozen of these owners, such as the Rockefellers, Morgans, Gianinis, Du Ponts and Fords in the United States; the Rothschilds, Lazard, Behrings and Schroeders in England; the Flicks, Hoesches, Haniels and Etters in West Germany; and the Wallenbergs and Boniers in Sweden. Depending on the specifics of the historical development and the state system, the financial oligarchy in certain countries coalesces with the landed aristocracy or the "blood aristocracy", by marrying into

the families of the reigning dynasties. Personal wealth and the amount of stock owned is not the only criterion of belonging to the financial oligarchy. The socio-economic status of individual groups is decisive. What is important is the ability to handle big capital whether it is yours or not, domestic or foreign, private or state, to hold key posts in production, sale and appropriation. In this connection top managers of big monopolies, who do not belong to the hereditary dynasties of multi-millionaires but who, due to their objective position in the system of monopoly exploitation and their profits, form part of the ruling class elite, representing and protecting the contemporary capitalist system, become a component of the financial oligarchy. In the context of *state-monopoly capitalism*, the financial oligarchy increasingly coalesces with the bourgeois state apparatus, the top echelons of government and military bureaucracy, which is a component of the *military industrial complex*. Their material interests are closely interwoven because of their joint participation in capital at home and abroad, of their mutual participation on boards, supervisory councils and corporations, of their participation on the boards of state enterprises and in various government consultative councils. The activity of a certain group of the financial oligarchy extends far beyond national boundaries and is entwined with the interests of groups in other countries. Thus, the capital of the financial group controlling West German electrical engineering monopoly Siemens is invested in most West European countries, in Canada, the United States, Brazil, South Africa and in several Asian countries. The group's capital, production and sales network are interwoven with the electrical monopolies of the EEC countries, Japan, and with the American giants General Electric and Westinghouse. Therefore, the financial oligarchy is cosmopolitan in character. It controls much of the national wealth of the capitalist countries, and appropriates an increasingly greater portion of the national income. This is done through financial-monopoly groups

which are the aggregate of heterogeneous companies under single financial control: a group of owners (belonging to one family or clan or to one region) or a financial institution (bank, insurance, or investment company). The merging with the state apparatus and the use of state economic policy in their interest is one of the most important channels of enriching and building up the power of the financial oligarchy. Receiving fat orders, guarantees, subsidies and favourable credits from government bodies, the financial magnates make monopoly profits not only on their own capital but also on the capital they control, paying interest or dividends to the shareholders. The activity of the financial oligarchy is closely linked with the system of state-monopoly endeavours in adopting anti-crisis measures and economic programmes aimed at regulating, in the interests of the financial and monopoly groups, the process of reproduction of social capital and at keeping the capitalist system intact. In the foreign economic sphere it is manifested in the elaboration of joint strategy and tactics, including on questions of foreign trade, the export of capital and the granting of loans to other countries. Certain financial-monopoly groups are waging fierce struggle among themselves for positions in the economy at home and abroad, and for dominance in influencing government bodies. But on questions of the defence of the existing system and in exploiting the working people, in the struggle against their just demands and the confrontation with socialism and national liberation movement, the financial oligarchy acts as one.

Fixed Capital, part of *productive capital*. It fully participates in the production process, but transfers its value to the manufactured product in parts, as it wears out. One component of fixed capital is that part which is advanced to purchase the means of labour — production premises, machines, equipment, etc. In the composition of fixed capital there are active elements, which directly act on the objects of labour (machines, equipment,

control and measuring instruments, etc.) and passive elements, which create the necessary conditions for the production process and its servicing (buildings, structures, conveyors, means of transport, etc.). Fixed capital goes through a full cycle over a number of production periods, because fixed capital is advanced for the full term of its functioning, while its value is returned to the capitalist in parts: only part of the value of fixed capital, as it wears and tears, is included in the value of the commodity created during a definite production period. Once the commodity mass is realised, this part of the value of fixed capital is returned to the capitalist and is kept in the bank on his account as *depreciation*, gradually accumulated in order to replace the worn-out means of labour. In the production process, the components of fixed capital are subjected to *physical wear and tear and obsolescence*. Capitalists try to ensure that in the production process, the value of the elements of fixed capital is transferred to ready articles in the shortest time and is quickly realised, before the term of moral wear. With this aim in mind they try to expand the production of products and heighten the exploitation of the workers. In today's world, at the demand of the capitalists, the bourgeois state has given the monopolies the go-ahead for accelerated depreciation, which allows monopolies to include the cost of fixed capital in the depreciation funds — which are not being taxed — considerably earlier than physical wear sets in. With the development of the scientific and technological revolution, there occurs a mass renovation and expansion of fixed capital. However, given the aggravating problem of realisation this leads to a growing underutilisation of production capacities (see *Underloading of Enterprises, Chronic*).

Fixed Production Assets, part of the enterprise's productive assets whose value is transferred to the manufactured product in parts as they wear out over a number of circuits. In natural-physical form, fixed assets are the means of labour distin-

guished by their role in the production process, service life, etc. The total means of labour allotted to a production enterprise (association) form the industrial production apparatus. Several groups of the means of labour are singled out in the composition of the fixed assets in planning and accounting practice: buildings, structures, conveyors, machines, equipment, transport means, tools, production and economic stock, etc. Machines and equipment, being the most active part of the fixed production assets, play an important role in the production process. Falling into this group of the means of labour are: power machines and equipment, measuring and regulating instruments, devices, laboratory equipment, computers and other machines and apparatus. In the USSR, the fixed assets also include the stock and instruments that cost over 50 roubles or whose service life is at least a year. Fixed assets are accounted for in natural and value terms. The means of labour included in an enterprise's budget are estimated at full initial value, which is made up of the expenses on their purchase, transportation and assembly. Changes in production costs and several other factors lead to a change in the cost of the means of labour resulting in differences in estimating fixed assets. To avoid this, in the USSR the fixed assets are periodically re-estimated according to the replacement value which characterises the value of their reproduction in the latest conditions. Today, the fixed production assets of state and collective farm and cooperative enterprises in the USSR are estimated by the January 1, 1972 replacement value determined on the basis of the wholesale price of industrial products, rates for electricity and thermal power, and on haulage introduced as of July 1, 1967. Fixed assets can also be estimated by the initial and replacement values with deductions for wear and tear. Worn-out fixed assets can be renewed in their former dimensions at the cost of depreciation charges (see *Depreciation*). At the same time, the accelerated scientific and technical progress creates favourable conditions for using depreciation charges

alongside capital investment as a source of expanded reproduction of fixed assets. The Party's long-term policy of raising the efficiency of social production to the fullest dictates the necessity of using fixed production assets more intensively and raising the *output-asset ratio*. Side by side with fixed production assets, enterprises have non-production assets, which include apartment houses, and the buildings and equipment for medical, children's and sports establishments, etc. They create favourable conditions for making production more effective.

Floating Surplus Population, one of the forms of *relative surplus population* under capitalism, connected with the cyclic development and anarchic nature of the capitalist economy, when the worker is sometimes in a job, other times out of work, with part of the able-bodied population remaining permanently unemployed. This form of surplus population is especially widespread in cities and industrial centres. As the *organic composition of capital* grows, some workers become redundant and are pushed out of the process of production. On the other hand, the burgeoning of functioning *capital* leads to an expansion of production and an increase in its demand for *labour power*. Floating surplus population depends directly on the capitalist cycle. It reaches its peak during crises and production depressions, but it is inherent in any phase of the cycle. During the *general crisis of capitalism*, floating surplus population grows in scale and is retained during periods of economic recovery and booms. The *scientific and technological revolution* has a great effect on the structure of floating surplus population. In particular, it leads to a lowering of the maximum age after which the worker is usually sacked and replenishes the army of the unemployed. Floating surplus population is the only form of surplus population capitalist statistics recognises.

Food Crisis, shortage of food in the capitalist world. It erupted in the mid-1970s,

and made food less accessible to millions of people, principally in the agrarian countries of the *world capitalist economic system*. In many regions of Asia, Africa and Latin America per capita food production is gradually declining. At the same time, capitalism spends colossal resources on the arms race. The use of these resources for peaceful purposes would enable the world to deal with many serious socio-economic problems, including the food problem. Bourgeois economists tend to look for the causes of the food crisis in the biological laws of nature, rather than in the socio-economic realm. In fact, the causes of the food crisis can be found above all in the low level of the *productive forces* in the developing countries compared to that of the developed capitalist countries — the consequence of the predatory exploitation of their economies by the metropolises during the long period of colonialism. American and other monopolies, which for decades exploited the peoples of Asia, Africa and Latin America and funnelled out their riches, still continue to do so now, leaving the working people in poverty. Looking after their own interests, the imperialist countries do not provide effective assistance to the developing countries in increasing food production and are trying to make trade in food an instrument of realising their political, economic and other interests. The American authorities strive to create especially advantageous conditions for US food exports. American corporations sell a third of their farm exports to the developing countries of Southeast Asia at exorbitant prices. The developing countries see the ultimate solution of the food crisis to be the social and economic transformation of their small-scale fragmented agriculture and making maximum use of the achievements of science and technology.

Forecasting, Economic, scientific prevision of the most probable changes in the state, structure and dynamics of the economy, of social requirements and production possibilities, of the trends of technical progress, of the size and compo-

sition of the population, etc. Scientific and technological forecasts play an important role in drafting the 20-year *comprehensive programme for scientific and technical progress of the USSR*. Economic forecasting is a preliminary stage which helps determine the key directions of the country's economic and social development for 10 years. Unlike planning, forecasting does not contain directives or concrete assignments. The system of forecast indicators also differs from planned indicators: it includes indices characterising demographic processes, the probable consequences of the measures mapped out in the long-term plan, etc. Forecasting makes it possible to foresee the social, economic and production problems that will have to be dealt with in the period being considered to achieve the aims of social development. Forecasts, especially those of scientific and technical progress, provide guidelines that are indispensable for successful economic management. Foreseeing the future state of the economy facilitates the choice of the most rational ways to develop it. Depending on their content, forecasts are divided into forecasts of scientific and technical progress, natural resources, demographic processes, and social and economic development. In terms of the scale of the object forecast, there are economic, sectoral and regional forecasts. Methodologically, scientific forecasting is based on the Marxist-Leninist theory of social development. Only knowledge of objective *economic laws* and their operation in specific historical conditions can be a reliable and adequate practical foundation for foreseeing changes that may occur in socio-economic development in the coming 15 or 20 years. The natural laws of development are also taken into account. Various methods are used in forecasting, the most promising of them being modelling of economic, demographic and other processes. The first scientifically-based forecasts were worked out in the Soviet Union on Lenin's instruction when the State Plan for the Electrification of Russia was drafted. Subsequently, forecasts were used during the prelimi-

nary stages of drafting national economic plans. Periodic forecasts of the fuel and energy balance, changes in the population size and composition, scientific and technical progress, economic and other processes are used in drawing up the state economic and social development plans, in elaborating comprehensive programmes on major economic, industrial and social problems, and measures of environmental protection. Joint forecasting in the major fields of the economy, science and technology are made by the CMEA member-countries in accordance with the Comprehensive Programme for Cooperation adopted in 1971. In the capitalist countries, forecasting is limited by private property relations. Forecasting methods amount to extrapolation, expert estimates, and mathematical formulas divorced from the social content of the phenomena and processes concerned. For these reasons the forecasts of bourgeois futurologists lack precision and reliability. The dominance of the whole people's ownership of the means of production and the planned development of the socialist economy make it possible to predict the future with a high degree of reliability.

Foreign (International) Loans, the granting and use of monetary resources lent on specified conditions to satisfy the needs of the borrowers. Under pre-monopoly capitalism, loans were usually granted by individual foreign banks or capitalists. Under imperialism, particularly at the stage of *state-monopoly capitalism*, this function is primarily fulfilled by the bourgeois countries, in particular the USA, and also by Britain, France, the FRG, Japan and several international organisations, the largest among them being the *International Monetary Fund* and the International Bank for Reconstruction and Development. Foreign loans are used by monopolies to capture markets and sources of raw materials belonging to the borrower countries, to plunder and enslave them, and to invest their own capital on profitable terms. After World War II, some changes occurred in the export of capital, foreign loans being one of its forms. An international situation had

evolved which made the monopoly export of capital far more complicated, largely due to the emergence of the world socialist system. The export of capital became still more uneven, and the struggle waged by the imperialist powers for spheres of capital investment grew more acute. State-monopoly trends in the export of capital became increasingly pronounced. During the 1970s, the amount of foreign government loans and subsidies increased twice as rapidly as that of the export of private capital. The export of capital has become more closely involved with militarist interests. Monopolies willingly provide big loans to the governments of their own countries, thus obtaining guaranteed incomes in the form of interest. The export of capital has become the principal economic mainstay of *neo-colonialism*, and a means of supporting anti-democratic, reactionary regimes. Foreign loans granted by the USSR and the other socialist countries are of an entirely different nature. The socialist countries, guided by the principles of proletarian internationalism, assist the developing countries in implementing their plans of industrialisation (see *Industrialisation in the Developing Countries*), and in building their economies without any military or political strings attached to the loans or subsidies. The USSR and the other socialist countries accept national currencies or these countries' traditional trade items as payments for the loans and as the interest on them. Economic relations between the socialist and the capitalist countries involved in granting loans are founded on the principle of mutual benefit.

Foreign Trade, the trade of a given country with other countries, consisting of the export and import of commodities. The volume and nature of the development of foreign trade and its socio-economic essence are determined by the corresponding mode of production. Under capitalism the principal aim of foreign trade is to obtain high profits for the capitalists and their monopoly associations. The foreign trade of the capitalist countries is founded on the international capitalist division of labour (see *Division of Labour*,

Capitalist International) and the objectively formed specialisation of individual countries in producing a certain commodity, which is determined by the development requirements of the productive forces. The foreign trade of the capitalist countries develops against the constantly emerging disproportions between sectors of the economy and the expansion of commodity production beyond the relatively narrow boundaries of the domestic market. In the stage of imperialism, foreign trade becomes a weapon in the monopolies' struggle for world markets, sources of raw materials and spheres of capital investment, and is used to enslave both economically and politically and exploit the people of the colonies, backward and dependent countries. The state becomes increasingly involved in international agreements on the division of markets, sources of raw materials, etc., and abandons free trade and adopts protectionism. Since World War II, there have been big changes in the capitalist countries' foreign trade. The scientific and technological revolution has stimulated a relatively stable growth of foreign trade, which shows that the role of the foreign sphere in the economics of contemporary capitalism is growing. Major shifts have also occurred in its geography and commodity structure, expressed in the growth of trade between the developed countries, and a drop in the share of raw materials compared with that of manufactures (see *International Trade*). Today the imperialist powers do not use protectionist imports restrictions as freely as before, but concentrate their efforts on expanding exports (subsidies to promote exports, state export credits, insurance of private export credits, etc.). Foreign trade between the socialist countries is based on wholly different principles. It is based on the international socialist division of labour (see *Division of Labour, Socialist International*), coordination of the national economic plans of socialist countries and specialisation and cooperation in the particular sectors of their economies. Each socialist country has a monopoly of foreign trade. The foreign trade policy is built on the principles of respect for national sovereignty, full equality of all con-

tracting parties, and mutual benefit. The principal objective of the socialist countries' foreign trade is to better meet their people's growing material and cultural requirements. Foreign trade among the socialist community members serves to even out their levels of economic development and to strengthen the world socialist economic system. The planned and balanced development of trade between the CMEA members is based on long-term agreements which are concluded after the national economic plans have been coordinated. Trade links become closer as integration measures are implemented and cooperation in production, science and technology grows, and as the specialisation and cooperation envisaged by the Comprehensive Programme for Socialist Economic Integration are encouraged. In the USSR, like in the other socialist countries, foreign trade is planned, reflects the socialist relations of production founded on public ownership of the means of production, and helps the country deal with the tasks it faces at the current stage — those involved in making social production more effective. New forms of economic links with capitalist countries that exceed the framework of conventional trade are also being evolved, such as compensation agreements under which foreign companies take part in building enterprises which then become the property of the Soviet state. The economic and scientific and technological contacts maintained by the USSR and the other socialist countries with the capitalist world help consolidate and expand the material foundations of peaceful coexistence between states with different social systems. The socialist countries' foreign trade with the developing countries helps reinforce the developing countries' state sovereignty and economic independence, and makes it easier for them to restructure their economies and social life on a progressive basis.

Form of Value, the form of expressing the value of commodity at different stages of commodity production and exchange (1). **Value**, as a social property of commodity, manifests itself only when one commo-

dity is equated to another during exchange. After analysing a vast amount of material on the history of exchange, Marx was the first to analyse the development of the form of value. This process has the following stages: 1) simple, single or occasional form of value; 2) full or expanded form of value; 3) universal form of value; and 4) the money form of value. The simple, or occasional, form of value, is a component of the initial stage of the development of commodity production, when products of labour became commodities only through single or occasional acts of exchange. In the simple form the value of commodity was expressed in a certain other commodity only by chance. It can be presented in the form of an equation: commodity *A* = commodity *B*. In this case two different commodities — commodity *A* and commodity *B* — play two different roles. Commodity *A* expresses its value in terms of commodity *B*, therefore, it plays an active role and is in a relative form of value. Commodity *B* serves as a criterion for expressing the value of commodity *A*. It plays a passive role, and is in an equivalent form of value. The transformation of the simple, single or occasional form of value into full or expanded value is determined by the development of the *social division of labour*, the growth of production and the further development of exchange. With the first large-scale social division of labour — the separation of cattle-raising from agriculture — the exchange becomes more or less regular. Now one product of labour, such as a cow or goat, is exchanged for many other items. And this becomes the rule rather than an exception. This stage of exchange is characterised by a full, or expanded form of value: commodity *A* = commodity *B* or commodity *C* and so on. One and the same commodity (*A*) began to express its value not in a single commodity, but in several other commodities. A number of commodities act as an equivalent, every one of them is one of many equivalents — not chance, but a special equivalent (alongside many other commodities). The social character of labour, embodied in a certain commodity, is especially evident in the full

or expanded form of value because the value is expressed not in a single commodity but in several others. The precision of the quantitative relation between the commodities being exchanged increases. As a result of the social division of labour and growing commodity output exchange becomes a vital necessity for the commodity producer. One commodity for which all other goods can be exchanged is singled out from a great mass of products — this is called a *universal equivalent*. Inherent in this stage of exchange is the universal form of value:

$$\begin{matrix} \text{commodity } B \\ \text{commodity } C \\ \text{commodity } D \end{matrix} \} = \text{commodity } A$$

The value of all commodities is now expressed uniformly in the *use value* of one commodity, which plays the role of universal equivalent. The latter is a commodity which can be directly exchanged for all other goods. Its use value becomes the general form of the manifestation of the value of all commodities; the *concrete labour* embodied in the equivalent serves as a universal manifestation of human labour generally; the universal equivalent is the direct embodiment of social labour. The product which acted primarily as the commodity, i. e. was manufactured chiefly for exchange, began to play the role of universal equivalent. With some peoples it originally was cattle, with others it was furs and pelts, or ivory, salt, etc. As exchange expanded and extended the boundaries of the local market, gold ultimately won the role of universal equivalent. The universal form of value was replaced by a money form:

$$\begin{matrix} \text{commodity } A \\ \text{commodity } B \\ \text{commodity } C \\ \text{etc.} \end{matrix} \} = X \text{ gold}$$

Commodity whose natural form merges with the equivalent form because of social habit functions as *money*.

Functions of Money, see *Money*.

Funds of Socialist Enterprises, material and monetary means servicing the processes of production and circulation in a planned way. The means of production make up the productive assets of an enterprise. Depending on the character of the turnover, the productive assets are divided into *fixed production assets* and *turnover funds*. Depreciation fund is formed at enterprises to replace worn-out machines and plant. They also have *circulating funds* and consumption assets — non-productive fixed assets. In the Soviet Union, the economic and material incentive of enterprises and work collectives at various state cost-accounting enterprises is ensured through the *economic incentives funds* — the material incentive fund, the socio-cultural and housing fund, and the production development fund. Collective farms have their social funds in natural and money forms. Their

formation and use are determined by the collective farm Rules. *Indivisible (unshared) funds* occupy a leading position among the social assets at the collective farm. The cultural and everyday-services fund, the farmers' material assistance fund, as well as the state social consumption funds are used to satisfy the farmers' cultural and everyday requirements. The material incentive for collective farmers comes from the work payment fund, which includes payments at fixed rates (some 90 per cent of the fund) and additional payments to collective farmers for achieving high quantitative and qualitative results. Rational use of the funds of socialist enterprises is essential for raising the *efficiency of social production*, increasing output, improving its quality and reducing production costs. The socialist economic system ensures a steady growth and effective use of the funds.

G

General Crisis of Capitalism, the period of the collapse of capitalism as a social system through revolution, the internal decay and disintegration of the world capitalist system, the falling away from it of more and more of its components, and of the struggle between socialism and capitalism on a world scale. Unlike *economic crises of overproduction*, which appear periodically and are overcome by the inner forces of bourgeois society, once the general crisis of capitalism sets in, it lasts until the capitalist system is eliminated throughout the world as a result of revolutionary changes and its replacement by socialism. The general crisis of capitalism is the crisis of capitalism as a whole. It encompasses all aspects of the life and activity of the capitalist system — the economy, politics, ideology and culture. Imperialism is unable to regain its lost positions, and to turn back the development of the modern world. No measures which monopoly capital, the bourgeois state or its ideologists and politicians might take can change or retard this objective historical process. The essence of the general crisis of capitalism and its main characteristic is the division of the world into two opposing socio-economic systems — socialism and capitalism — and the struggle between them in the economic, political and ideological fields. The product of World War I (1914-1918) and the triumph of the Great October Socialist Revolution in Russia, the general crisis of capitalism constantly deepens, heightening all the contradictions of bourgeois society. In the wake of Russia, which was the first to cast aside the capitalist system and to embark on the road of building socialism, several other countries have turned their back on capitalism. As a result a world socialist system, a community of socialist countries has formed, united by the common goal of building socialist and communist society. The second characteristic of the general crisis of capitalism is the crisis and

the disintegration of the *colonial system of imperialism*. Young developing countries which have achieved political independence, are working for economic independence. Some of them have embarked on the *non-capitalist path of development*, orienting themselves on building socialism. The third feature of the general crisis of capitalism is the aggravation of the internal economic contradictions of the imperialist powers, and the intensification of the system's instability and decay. These contradictions heighten as *state-monopoly capitalism* grows: militarism develops, the arms race spirals, the entire system of economic links loosens up, the crisis of monetary relations appears, and the struggle between labour and capital intensifies. The fourth feature of the general crisis of capitalism is the development of the crisis of bourgeois politics and ideology. Fearing mounting anti-monopoly struggle, the *financial oligarchy* resorts to all conceivable intensification of political reaction, to the abrogation of bourgeois-democratic liberties, to installing fascist regimes, and to social demagogery. The general crisis of capitalism has already passed through two stages of development and is now in its third stage. The first stage began with World War I and the appearance of world's first socialist state — the Soviet Union. Mongolia also embarked on the socialist path of development. As a result imperialism lost its undivided rule. The USSR became a highly industrialised power, and is second in the world in the level of economic development. In the capitalist world other social revolutions have taken place (Hungary, Germany), and social conflicts have sharpened. The working class stepped up its struggle against the oppression of capital. The communist parties that emerged in many countries are the most consistent vehicles of the interests of the working class. The upsurge of the national liberation movement led to the *crisis of the colonial system of imperialism*. The imperialist bourgeoisie tried to counter the sharpening of contradictions by intensifying reaction. As a result of uneven economic and political development, German imperialism recovered its prewar economic

strength, installed fascism in power and engaged in aggressive predatory wars. The second stage of the general crisis of capitalism developed in the course of World War II and the socialist revolutions in several European and Asian countries. The expansion and strengthening of socialist positions was the principal outcome of this stage. A world socialist system emerged. Under the blows of the national liberation movement the crisis of the colonial system of imperialism deepened, and the process of its decay began. Capitalism has become weaker, and its instability and the growth of the irreconcilable contradictions of bourgeois society have intensified. Since the area of the imperialist domination has shrunk, contradictions between capitalist countries have deepened and the struggle of the working people against capitalist exploitation, against social and national oppression has mounted. At the end of the 1960s the third stage of the general crisis of capitalism set in. The principal feature of this stage is that it did not appear and develop in connection with world war, as did the prior two stages. Today it is the world socialist system and the forces struggling against imperialism for socio-economic and political progress that determine the main content, the basic trend and the main features of the historical development of the human race. In the third stage of the general crisis of capitalism the Republic of Cuba — the first socialist state on the American continent — took the road of socialist development. The victory of the Vietnamese people over American imperialism led to the establishment of popular power both in the North and South of the country, and to the formation of the Socialist Republic of Vietnam. The Lao People's Democratic Republic has also joined the family of socialist countries. The disintegration of the colonial empires led to the collapse of the colonial system of imperialism. States have emerged in Asia, Africa and Latin America, which have shaken off the imperialist yoke and begun independent development. The number of socialist-oriented countries, countries which have chosen the road of socialist development, has increased. All this further

deepens the general crisis of capitalism. Imperialism has finally and forever lost its former undivided rule in the world. The sphere of imperialist domination in the world has been narrowed, and the internal contradictions in the capitalist countries and the rivalry between them have sharpened. The general crisis continues to deepen and its irreconcilable contradictions to sharpen, while the struggle of the working people for democracy and socialism, against exploitation and monopoly domination is growing.

General Law of Capitalist Accumulation, economic law of capitalism according to which the growth of the functioning social capital, the increase of its amount and rate of growth, and hence, the increase of the overall numbers of the working class and the productive power of its labour are accompanied by an increase in *relative surplus population* and the intensified exploitation of the working class. The accumulation of wealth on one pole of capitalist society results in rising *unemployment* and poverty on its other pole, which is expressed in the *relative deterioration of the condition of the proletariat*, and sometimes in the *absolute deterioration of the condition of the proletariat* as well (see Karl Marx, *Capital*, Vol. I, p. 603). The operation of this law aggravates the antagonism existing between labour and capital, and this inevitably leads to the revolutionary destruction of capitalism. As he formulated the law, Marx found it necessary at the same time to note that, like all other laws, the law in question is modified by numerous circumstances during its operation. Marxist-Leninist theory stipulates the existence of two opposite tendencies in capitalist society: the principal tendency of the position of the working class to deteriorate, caused by the process of accumulation of capital itself, and the opposite tendency, born of the social forces which develop within the capitalist system — the organisational and political consciousness of the working class and its allies. At a certain stage of world history the world socialist system becomes a force which influences the inherent contradic-

tions of capitalism from the outside and creates favourable conditions for the successful struggle by the working class of the capitalist countries against the bourgeoisie. By triumphing in several countries, socialism makes the proletariat's struggle in the capitalist countries much easier. While steadily fighting to promote its own fundamental interests, the working class wins some of its demands. However, regardless of any great changes in the conditions of the working-class struggle, and no matter what wage increases are won at certain periods of time, the economic laws of capitalism generate the principal tendency — the deterioration of the situation the working class finds itself in.

Gold Standard, in the economic sense, a monetary system in which gold acts as the *universal equivalent*; in the legal sense, a form of organising money circulation, which is fixed by law and has gold coins in circulation (gold coin standard) or maintains, under certain circumstances, free exchange of banknotes for gold bullion (gold bullion standard), or else exchanges banknotes for foreign currency exchangeable for gold (gold exchange standard). The gold coin standard was established in Britain in the 1820s, in Germany and some other West European countries in the 1870s, in Russia and Japan in the 1890s. The USA and France also had a gold coin standard and partially a silver standard. The gold coin standard was the most stable monetary system of capitalism before its general crisis set in. World War I caused the collapse of the gold coin standard. Gold coins went out of circulation in nearly all the capitalist countries and gave way to depreciating paper money. In 1922, the Genoa conference recommended the gold exchange system as a world monetary system, and this was confirmed by the International Monetary Conference in Bretton Woods in 1944. It proved virtually impossible, however, to exchange currencies for gold because the USA first refrained from and then officially stopped exchanging dollars for gold. The tempestuous processes of *inflation* and depreciation of money over the last

few years have led to a profound crisis of the monetary and financial system of capitalism. *Devaluation* of the currencies of many capitalist countries, including the US dollar, attests to the extreme instability of the present-day monetary system.

Gross National Product (GNP), economic indicator used extensively in bourgeois statistics; it expresses, in market prices, the aggregate value of the final output of material production and the non-productive sector. In its natural material form the GNP represents the aggregate of material benefits and services consumed or used for capital investment in a year. It differs from the index of the *final social product* used in the statistics of socialist countries by the amount of the value of services. The GNP indicator can be calculated in two ways: a) according to the realisation (utilisation). In this case, four component parts of the product are considered: individual consumption (goods and services bought by the people); state consumption (state purchases of goods and services); capital investment (reserves of raw materials, semi-finished and finished products included), and the foreign trade balance; b) according to output — as aggregate net output (added value) of individual industries. Added value is calculated by subtracting the value of consumed materials, fuel, electricity, services, etc. from the gross industrial output. The result, which represents the aggregate net product and depreciation payments, is subsequently corrected against the balance of foreign trade operations. Since the GNP is calculated in market prices which include indirect taxes, these taxes are also included in the GNP index. The GNP is initially calculated in current prices and then converted into constant prices. Bourgeois statisticians calculate the national income by subtracting the amount of depreciation payments from the GNP. According to this unscientific method, the value of the GNP represents the aggregate income obtained by individuals, enterprises and institutions irrespective of the sphere of application of means and labour. Therefore, also

included in the GNP are the incomes obtained by redistributing the newly created value. For example, the cost of services provided by banks and other credit agencies, legal offices, the administrative apparatus, etc., expressed in money, as well as activities of the armed forces assessed in a like manner are seen as part of the GNP. Bourgeois statistics also operates with conventional indicators, incorporating in the GNP, for example, temporary housing rent, i. e., a conventional sum of money the house owners would have had to pay had they rented them.

Gross Output, indicator characterising in monetary form the overall volume of production of enterprises, associations, industries and the economy as a whole. It is calculated for the sectors of material production (industry, agriculture, construction, transport and communications, trade, material and technical supplies, etc.) in comparable and current prices. The gross output of an industrial enterprise is the useful result of its industrial and productive activities expressed in the form of products and industrial-type services; the gross output of an industry is the result of the productive activities of the enterprises making up the given industry for a fiscal period. Gross output includes: the value of finished articles produced in the principal, auxiliary, allied and service shops during the fiscal period; the value of the enterprise's semi-finished products and that of products put out by its service and auxiliary shops and delivered beyond the given enterprise; the value of all industrial-type work carried out for other enterprises or for the given enterprise's non-productive departments and organisations (including capital repairs and the updating of its equipment and transport facilities); the change in the remainder (the value of the increase or decrease) of the enterprise's basic semi-finished products and the output of its auxiliary shops. At enterprises with an extended production cycle, the change in the remainder (the value of the increase or decrease) of the work in process (see *Production, Incomplete*) is also included in the gross output. Using

the gross output as an indicator to assess the economic activity of enterprises revealed its essential shortcomings (it insufficiently oriented enterprises towards producing articles that were in fact required by the economy and the people, and often interfered with extending the range of goods, improving quality, etc.). That is why to assess the activities of industrial enterprises and associations, the indicator of *rated net product* has now been introduced in the USSR. The sum of the gross output of all sectors of material production minus production circulation within enterprises represents the gross output of the economy, or the gross social product, calculated by the factory method.

Ground (Land) Rent, a part of the surplus product created by direct agricultural producers and appropriated by landowners. "The appropriation of rent is that economic form in which landed property is realised" (Karl Marx, *Capital*, Vol. III, p. 634). Ground rent came into being with the emergence of landed property. In slave-owning society, it was created by the slaves, the *coloni* (semi-free citizens) and free small landowners. Under feudalism, it was created by the serfs and represented initially by *corvée* (labour rent), later by share cropping (rent in kind), and finally, during the disintegration of feudalism, by money rent. With the transformation of agriculture into a capitalist enterprise, capitalist farmers who rent land pay the landowners part of the *surplus value* created by agricultural wage workers. Feudal ground rent reflected the relations between two classes, feudal landlords and the peasants they exploited, while capitalist rent reflects the *relations of production* between three classes of bourgeois society: wage workers, capitalist tenant-farmers and landowners. Feudal landlords appropriated the whole of the surplus product and sometimes even part of the *necessary product* of the serfs in the form of feudal rent. Capitalist farmers, however, only pay the excess of surplus value over the average profit from their capital for the land they use. Capitalist ground rent creates the false impression that the landowners do not

exploit workers, as the agricultural workers enter into direct relations only with the capitalist tenant-farmers and their exploitation by the latter is camouflaged by the formal equality of the sides in the sale and purchase of labour power and by the form of payment for it. Under capitalism, rent is paid in the form of rental. Apart from rent as payment for the use of land, rental can include interest on capital invested in the land and also depreciation of that capital. Capitalist rent has two basic forms, differential rent (see *Differential Rent under Capitalism*), caused by the monopoly of the land as the object of capitalist farming, and absolute rent, caused by the monopoly of private ownership of the land. Ground rent forms part of the prices of

agricultural produce, thereby raising them. In the form of ground rent society pays tribute to the landowners, who lead a parasitic way of life and divert a mass of capital from productive application. Growing rent and rising prices of agricultural produce contradict the striving of capital for unrestricted expansion. This contradiction of capitalism is temporarily resolved in *agrarian crises*. Under imperialism, landed property merges with finance capital, which receives ground rent primarily in the form of interest on the peasants' and farmers' mortgages (see *Mortgage*). Socialist society, which has eliminated the conditions for the existence of absolute rent, has differential rent (see *Differential Rent under Socialism*).

H

Historical Place of Imperialism, imperialism is the final historical stage of capitalism, the period of its decay and death, and the eve of the socialist revolution. Lenin wrote: "Imperialism is a specific historical stage of capitalism. Its specific character is threefold: imperialism is (1) monopoly capitalism; (2) parasitic, or decaying capitalism; (3) moribund capitalism" (V. I. Lenin, *Collected Works*, Vol. 23, p. 105). The decisive feature of imperialism is that, in economic essence, it is monopoly capitalism. Economic power is concentrated in the hands of the largest monopoly associations. The monopolies have penetrated all spheres of production. The power of the capitalist monopolies is combined with that of the bourgeois state (see *State-Monopoly Capitalism*). Production is socialised to the highest degree it can possibly reach under capitalism. It requires the planned organisation of production on the scale of society as a whole, which is impossible under capitalism. With private ownership of the means of production, all forms of monopoly inevitably engender the tendency towards stagnation and decay. The main features of this process are the following: it becomes economically possible to impede economic progress in the interest of the monopolies; a section of *rentiers* and rentier states make their appearance; the *export of capital* grows; the plunder of dependent nations intensifies; the top crust of the working class is bribed and a "worker aristocracy" is formed; political reaction grows in every sphere. The economy, technology and science also develop under imperialism, but scientific and technological progress assumes a contradictory and often distorted form, to the detriment of the vital interests of the people and to suit the self-seeking ends of monopoly capital. Progress occurs only where monopoly is assured high profits. The dominance of the monopolies breeds a tendency towards technical stag-

nation, which shows that imperialism is a brake on the development of the productive forces, and decaying capitalism. A vivid example of capitalism's decay under imperialism is the huge non-productive expenditures to militarise the economy (see *Militarisation of the Economy of Capitalist Countries*). An indication of the parasitic character of imperialism is that the monopoly elite has finally withdrawn from the social process of production. The management of production is being increasingly assumed by hired experts. A group of rentiers emerges, who live on incomes obtained from capital investment abroad which yields enormous profits. A situation arises in which whole capitalist countries become rentiers by exploiting other nations through the export of capital and extracting huge dividends from it, part of which is used by the monopolists to bribe the workers' elite, thus creating social support for themselves within the working-class movement in the form of opportunist parties and leaders. The stagnation and parasitic nature of capitalism under imperialism is compounded by growing reactionary trends in the economy, politics, ideology, and culture. There is a turn from bourgeois democracy to political reaction, expressed in the establishment of anti-democratic and fascist regimes. Lenin concluded that imperialism is dying capitalism. "The epoch of capitalist imperialism is one of ripe and rotten-ripe capitalism, which is about to collapse, and which is mature enough to make way for socialism" (V. I. Lenin, *Collected Works*, Vol. 22, p. 109). The further deepening of the *general crisis of capitalism* has further heightened imperialist contradictions, thus undermining the domination of monopoly capital and making working people increasingly resist and struggle against imperialism, which will ultimately lead to its downfall.

Historical Tendency of Capitalist Accumulation, the process of accumulation, concentration and centralisation of capital and socialisation of labour which makes production increasingly social in character and incompatible with private capitalist ownership, thus producing the objective

and subjective conditions for the transition from capitalism to socialism. During the primitive accumulation of capital, direct commodity producers are expropriated, "liberated" from the means of production. This gives rise to private capitalist ownership, "which rests on exploitation of the nominally free labour of others, i. e., on wage-labour" (Karl Marx, *Capital*, Vol. I, p. 714). From there on the capitalist mode of production develops on its own basis. During the accumulation of capital, which is inseparable from its concentration (see *Concentration of Capital*), individual capital is used on an increasing scale, which creates the objective basis for the concentration and expansion of production. The further process of accumulation involves the *centralisation of capital*, which engenders the tendency towards reducing the number of individual capitals. The socialisation of labour and the consequent expropriation of private owners takes the form of the expropriation of small capitalists by the bigger ones. This process becomes especially intensive when capitalism moves ahead to its new stage, that of *imperialism*. Monopolies concentrate in their hands huge amounts of capital and production. The degree of socialisation of production becomes exceedingly high. It attains the highest limit possible within the framework of private ownership under *state-monopoly capitalism*. The increasing capitalist socialisation of production leads to the development of the material conditions of socialism in the womb of the capitalist system. This is paralleled by the formation of the subjective prerequisites for the transition to socialism. The proletariat increases in number, and its class consciousness grows. The communist parties assume the leadership of the working-class movement. The Russian proletariat was the first ever to replace the power of the exploiters by the power of the working people — that was in October 1917. Proletarian revolutions are waged according to the will of the people, and are an inevitable result of the internal development

of capitalism, which is increasingly showing itself to be a society without a future. The *basic contradiction of capitalism* is growing increasingly acute, which shows that capitalist production relations are increasingly clashing with the character of the productive forces. From a factor promoting the development of the productive forces, the relations of production are becoming a brake on them. "The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated" (Karl Marx, *Capital*, Vol. I, p. 715). In the modern world of capital the objective economic and socio-political conditions for the transition to socialism have reached a high degree of maturity, and the people increasingly demand radical change.

Holding System, the securing of control by one company over several other companies through the acquisition of *controlling blocks of shares*. The head company — parent — acquires a controlling block of shares in another company — the subsidiary, which, in its turn, controls sub-subsidiary companies, and so on down the line. Consistently following this system, the parent organisation eventually establishes control over an expanding pyramid of companies and wields a capital many times the size of its own fortune. Usually it is the financial corporations — *banks* and *insurance monopolies*, which hold capital in the money form — that become the parent companies at the summit of these pyramids. The holding system is especially typical of modern monopoly capital. By exploiting it, the *financial oligarchy* is able to successfully expand its dominance over a tremendous number of industrial and banking enterprises.

I

Imperialism, the highest and last stage of monopoly capitalism, moribund and decaying capitalism, the eve of the socialist revolution. Its principal distinctive feature is the dominance of monopoly capital in the economy, politics and ideology. Lenin provided comprehensive scientific analysis of imperialism in *Imperialism, the Highest Stage of Capitalism*, published in 1917, and in other works. Lenin's theory of imperialism was a great contribution to Marxism and a new stage in its development. It arms the working people and Marxist-Leninist parties with an understanding of the basic features of modern capitalism and its profound contradictions, and exposes the methods used by the imperialists to retain their domination. At the same time it points ways that lead to the inevitable demise of capitalism in its final stage and its replacement by socialism. In his studies of the imperialist stage of capitalism, Lenin singled out its five basic economic features: 1) the concentration of production and capital is so high that it has produced monopolies which play the decisive role in the economy; 2) banking capital merges with industrial capital to produce finance capital and the financial oligarchy; 3) the export of capital, rather than the export of commodities, acquires especially great importance; 4) international monopoly unions of capitalists are formed, which divide the world; 5) the territorial division of the world among the major capitalist powers is completed. All the subsequent history of imperialism has confirmed Lenin's definition of the essence of imperialism. Free enterprise capitalism developed into imperialism at the turn of the century. Lenin not only described the new phenomena characterising the imperialist stage, but revealed the *historical place of imperialism*. Imperialism is not a new mode of production, but a stage in the development of capitalism. Although it has impor-

tant features that distinguish it essentially from capitalism, imperialism has not lost its capitalist nature, but has further exacerbated all the contradictions of capitalism. Underlying imperialism are the general foundations of the *capitalist mode of production* as before. The basic means of production are still owned by a handful of capitalists or their associations, primarily the monopolies. The working people are exploited on a growing scale. The *basic economic law of capitalism*, that of surplus value, also operates under imperialism. The main stimulus of capitalist production is still the pursuit of profit, with the monopolies deriving *monopoly super-profit*. Under imperialism, too, the economy of the capitalist countries develops under the impact of spontaneous economic laws, amidst the *anarchy of production and competition*. Replacement of free enterprise by monopoly domination does not eliminate competitive struggle, but simply makes it more involved and destructive. Imperialism has made an enormous step forward in socialising production and increasing labour productivity, to the limit possible at all within the framework of capitalism. But this progress in the development of the productive forces is used primarily in the interests of big business. Pre-monopoly capitalism, taken as a whole, developed on an ascending line. With the transition to the monopoly stage, capitalist production relations lost their relatively progressive character, and instead of a factor encouraging the development of the productive forces, became a colossal brake on social progress. Monopoly ownership dooms the productive forces to a one-sided development. Imperialism is a decaying and parasitic society, and this can be especially clearly seen today in the *militarisation of the economy*. From his profound analysis of the monopoly stage of capitalism, Lenin concluded that imperialism is moribund capitalism, the eve of the socialist revolution. In the epoch of imperialism, capitalist countries develop unevenly and spasmodically. Lenin, who revealed the *law of the uneven economic and political development of capitalism in the age of imperialism*

ism, established that all countries would not arrive at socialism at the same time. He inferred the possibility of a socialist revolution initially triumphing in several or even one country, and of the world revolutionary process developing through ever new countries leaving the imperialist system. The further course of history has fully confirmed this brilliant prevision. Imperialism heightens all the contradictions of capitalism to the extreme. The *basic contradiction of capitalism* is exacerbated and the contradiction between labour and capital is sharpening under the impact of the increased rate of exploitation and oppression of the working people by monopoly capital. The top circle of exploiters is narrowing, and the mass of people in capitalist society exploited by big business is growing. In their insatiable thirst for profits, the monopolies rob and oppress the working class and labouring peasantry, as well as working intellectuals, the petty bourgeoisie, and a section of the middle bourgeoisie. Colonies and dependent countries are greatly oppressed. Deep and irreconcilable contradictions divide the imperialist powers and the young independent states. Imperialism has not accepted the loss of its political domination in the developing world, but is trying to continue to exploit these countries through *neo-colonialism*, controlling their economies and politics. Imperialism supports reactionary regimes and circles in the newly independent countries in the struggle against the national liberation movement, impedes the elimination of their backward social relations, and does all it can to prevent their non-capitalist development. Contradictions are exacerbated between the imperialist powers themselves in the struggle for the appropriation of monopoly profit. These deep and sharp contradictions are eroding and destroying the capitalist system, drastically weakening it, and are leading to its ultimate downfall. Today, imperialism lost its monopoly in deciding world affairs, and has ceased to be the dominant force on the international scene. It is not in its powers to turn back the wheel of history. To preserve and prop up the enfeebled foundations

of imperialism and to maintain its ground in the competition with the strengthening world system of socialism, monopoly capital combines its power with the power of the bourgeois state (see *State-Monopoly Capitalism*). Modern imperialism has failed to adapt itself to the new conditions, and to use the forms and methods of state-monopoly capitalism and the current scientific and technological revolution to strengthen and stabilise the capitalist system of economy, its ideology and politics, so the *general crisis of capitalism* is deepening. However, imperialism will not voluntarily make way for socialism which will inevitably replace it. As long as imperialism exists, the human race cannot be certain of its future. The unrestricted growth of militarism and of the arms race hampers detente. The contradictions of modern imperialism lead to the formation of a single general democratic current of progressive forces in capitalist society, and to the transformation of this current into an anti-monopoly, anti-imperialist front. The three great forces of today — the world socialist system, the international working-class and the national liberation movement — have joined together in this struggle. The decisive force in the anti-monopoly struggle is the world socialist system — the bulwark of peace and social progress. The anti-monopoly struggle that has involved the overwhelming majority of the population in the capitalist countries has promoted the formation of both the material and social and political conditions for the ultimate replacement of imperialism by the new social system — socialism.

Implements of Labour, the most important part of the *means of production*, with the help of which *objects of labour* are directly acted upon. In this category are: machines, equipment, instruments, engines, regulating devices. The significance of implements of labour like automatic machine complexes with automatically controlled and regulated production process, computers, machines with digital programmed control and other up-to-date machines and mechanisms, is growing during the contemporary *scientific and technolog-*

ical revolution. Characterising the determining role of implements of labour, Marx said: "... we may call [them] the bone and muscles of production" (K. Marx, *Capital*, Vol. I, p. 176). Political economy studies the socio-economic form of the implements of labour, which is determined above all by the ownership of the means of production. Under capitalism, the implements of labour, being privately owned, serve as the means of exploiting wage labour in order to extract profits (see *Profit, Capitalist*). Implements of labour in the *communist mode of production* are used by society in a planned way to steadily develop production and make it more effective in order to more fully satisfy the requirements of the working people.

Import, the bringing of commodities and other material wealth from other countries in order to sell them on the domestic market of the importing country. The import of one country corresponds to the *export* of another country. Import items are foreign-made goods imported directly from the producing or from the intermediary country for personal consumption and for consumption by industrial, construction, agricultural and other enterprises, as well as for processing them for consumption inside the country or for eventual export. Depending on the established practice, a country's customs statistics usually subdivides the import of commodities into special imports, consisting of goods imported for consumption inside the given country, and general imports, which also include transit goods. General imports cover all goods imported to a country, regardless of their origin and designation.

Income from Business, part of *profit* that remains at the disposal of the investing capitalist (industrial or merchant) after he has paid *interest* on the *capital* he has borrowed. Marx described income from business in the fifth section of Volume III of *Capital*. To derive more profits, capitalists use their own and *loan capital*, which they borrow from finance capitalists, to expand their own production. *Loan capital* makes the normal circuit of indus-

trial capital. Capitalists use it to purchase means of production and labour power. By exploiting wage labour, they extract surplus value which takes a converted form of profit. When capitalists use loan capital in production, they must return part of profit to the loaning capitalist. As a result, the profit obtained from loan capital can be divided into two parts: interest, appropriated by the finance capitalists, and income from business appropriated by the investing capitalists and representing the average profit minus interest. The division of profit into interest and income from business disguises capitalist exploitation and distorts the real nature of these components of surplus value. The exploiting nature of interest is obscured by the fact that the loaning capitalist does not have any direct contact with the wage workers. This makes it appear that interest is produced by capital itself. Income from business at first sight appears as the payment due to the capitalist for "supervision" and management of production. The division of profit into interest and income from business produces certain contradictions between loaning and investing capitalists, since no matter how much the profit might be, the amount of interest and the income from business are inversely proportional: the higher the former, the lower the latter, and vice versa. But these contradictions do not eliminate their common class interests in augmenting surplus value, i. e., in intensifying the exploitation of the working class.

Individual Working Time, duration of labour input by individual producers (enterprises) to manufacture a unit of output. This depends on the technical equipment and organisation of production, the workers' skill, the intensity of their labour, and other factors that determine *labour productivity*. Thus individual working time may be more or less than the *socially necessary work time*. Under commodity production based on private ownership of the means of production, the contradiction between individual and socially necessary working time is antagonistic, leading to the differentiation of

commodity producers. Those who expend more working time than the socially necessary time on the manufacture of a unit of output incur losses and gradually go bankrupt. Others, whose individual expenditures are lower than the socially necessary ones, become richer. Among the latter are the big industrialists who use improved techniques and progressive methods of production organisation at their enterprises. This serves as the basis for the systematic ruin and ousting of small and medium-sized enterprises by the large ones. In socialist society, the contradiction between time expenditures on the manufacture of particular commodities at individual enterprises and the socially necessary working time is not antagonistic. It is resolved by society through the planned introduction of new technology and the planned improvement of production, better production organisation, and the systematic upgrading of workers' skills. This results in lagging enterprises catching up with the advanced ones, and in the gradual elimination of the gap between individual and socially necessary expenditures of labour.

Indivisible (Unshared) Funds, social funds belonging to a *collective farm*, embodied in the fixed and *circulating assets*; a specific fund of expanded reproduction. In the USSR, indivisible funds appeared during the formation of the collective farm system. They included the bulk of the socialised property not returned to the peasant if he withdrew from the collective farm. In this way, indivisible funds differed from share payments, which had to be returned upon withdrawal from the collective farm. As the collective farm system developed, indivisible funds increased quantitatively and changed qualitatively. Their increase reflects profound qualitative changes in the technical and material basis of collective farm production. Along with the land — the main means of production in agriculture — indivisible funds constitute the economic basis for raising the collective farm economy. Today, indivisible funds are materially embodied in modern machines and other

means of production, the prevailing part of which is manufactured by industry. This testifies to the strengthening of the economic ties between collective farms and the other branches of the national economy, to the further consolidation of the economic basis of the alliance of the working class and the peasantry. The financial sources of the growth of indivisible funds have also changed. Initially, they were formed and replenished by payments from peasants joining collective farms. Later on indivisible funds increased on the basis of expanded reproduction on collective farms, part of the profits being deducted to replenish the fixed and circulating assets. At the same time, indivisible funds should not be confused with the fixed and circulating assets of collective farms. Indivisible funds are not the actual production premises, machines, cattle, materials, seeds and other production means, nor all their value. Indivisible funds include only that part of the value of the fixed and circulating assets that is created from the means of the collective farm itself. The part of the fixed and circulating assets acquired or created on credit is not included in the indivisible funds until the credit is repaid. The share of indivisible funds in the value of the fixed and circulating assets is an important indicator of the economic position of the collective farm, showing the extent to which the farm is developing on the basis of its own means and on credit.

Industrial and Trade Associations, class organisations of the bourgeoisie that appeared in the late 18th and early 19th century and which today bring together most of the capitalists operating in individual industries, regions and countries for the purpose of opposing the working class and influencing government policy. They play an enormous role in uniting the forces of monopolies and the state in a single mechanism. Their functions and role in the system of the state of monopoly capital have grown considerably as capitalism entered the epoch of general crisis and as monopoly capitalism evolved into state-monopoly capitalism. Individual in-

dustrial and trade associations deal with the specific issues involving the domination of capital in a particular sphere, and often operate as extensive *cartel* associations. National associations express the interests of monopoly capital as a whole as well as of individual groups of the monopoly bourgeoisie, and accordingly work to adapt monopolies to the new situations and combine current tactical and long-term strategic interests of the monopoly bourgeoisie. This ability to express the vital interests of monopoly capital and, if necessary, to subordinate to them the interests of the individual monopolies turns the industrial and trade associations into strategic centres, the headquarters of the monopolies. The most powerful of them are the National Association of Manufacturers (NAM) and the Chamber of Commerce of the United States in the USA, the Confederation of British Industry (CBI) in Britain, the National Council of French Entrepreneurs (NCFE) (or the Patronate) in France, the Japan Federation of Economic Organisations in Japan, the Confederation of Italian Industry in Italy, the Association of Austrian Industrialists in Austria, the Federal Union of German Industry (FUGI) and the Federal Association of German Employers' Unions (FAGEU) in the FRG. FUGI, for example, unites virtually all West German industrial corporations through its 39 central sectoral and 13 provincial associations with over 400 industrial and 216 regional affiliates. The economic associations (NAM, FUGI, NCFE, CBI, and others) elaborate monopoly capital's strategy and tactics on the main economic policy issues and the domestic and foreign policy of the capitalist countries. The social and political associations (or employers' associations, such as the FAGEU or the Chamber of Commerce of the United States) control labour conditions, social policies and wages. They have their own functions and interact with one another. Industrial and trade associations are an extremely important lever for turning the economic might of monopolies into political power, which serves to consolidate their economic domination. They are

involved in financing the state apparatus and in preparing legislation, while their executive organs and leadership are in permanent contact with the state institutions at all levels, etc. They finance up to 90 per cent of the expenses of the bourgeois parties and exert considerable influence on the ruling reformist parties. They are flooding parliaments and governments with vast amounts of proposed draft legislation, memorandums and inquiries. They play an enormous role in the struggle against the working-class and revolutionary movement through many methods, such as corrupting top trade union leaders, ideological befogging of the people and using state legislation for their own ends. They are the engineers of the arch-reactionary anti-labour laws in the capitalist countries, such as the Taft-Hartley Labor, McCarran-Wood, Landrum-Griffin and other acts in the United States, the "extraordinary" laws and the *Berufsverbot*, a ban on professions in the FRG, the industrial relations act in Britain, etc. The Imperial Union of German Industry made a great contribution to the establishment of nazism in Germany. After the war, international associations were set up. Within the framework of the *European Economic Community* alone, there are more than 200 international sectoral associations, as well as the European Free Trade Association's Council of European Industrial Associations, and the Council of the Entrepreneurs' European Industrial Unions. The latter association has 27 major national associations in 18 West European countries belonging to it, plus the national industrial associations of the United States and Canada. Industrial associations are a powerful weapon of entrenching the dominance of monopoly capital.

Industrial Association, intermediate link in the management of industrial production. In the USSR industrial association may be all-Union or republican. The rights and duties of the industrial associations are defined in the General Statute on the All-Union and Republican Industrial Associations approved by the USSR Coun-

cil of Ministers on March 2, 1973. The industrial association is the single production and economic complex consisting of *production associations* and enterprises, research, design, project-and-design, technological and other organisations. The enterprises, production associations (combines) and organisations within the industrial association retain their independence and possess the rights of legal persons. Industrial association usually represents the totality of relatively homogeneous enterprises and production associations comprising a specialised sub-industry or complex involving several types of specialised production. It operates on the basis of *cost accounting* and provides full compensation of production expenditures, including those on research, R & D and design, the introduction of new articles and the development of new processes, and maintenance of the management apparatus, and also ensures the obtention of profits necessary for budgetary payments, the development of the given association, etc. The Resolution of the CC CPSU and the USSR Council of Ministers of July 12, 1979, provides for the further improvement of the cost-accounting methods of industrial associations. The principal task of an association is to develop and improve production for the purpose of fully meeting the requirements of the economy and the people in the respective types of product. With this end in view, an association studies economic and popular needs in the respective types of product and their trends, analyses the structure of demand, and works out plans and carries out measures to develop the industry (sub-industry) concerned keeping sight of prospects of *scientific and technical progress*. It ensures the balanced and proportionate development of the entire production and economic complex, and increases its effectiveness on the basis of technical progress, *concentration of production*, *specialisation of production*, *cooperation of production* and *combining of industrial production*. An industrial association creates favourable conditions for strengthening the ties between science and production and accelerating and utilising

R & D. An association pursues a unified technological policy, fully or partially centralising the execution of individual economic functions. The successful implementation of the industrial association's functions is facilitated by its centralised funds and reserves: material incentive fund and the fund for social and cultural measures and housing construction (see *Economic Incentives Funds*), as well as the *united science and technology development fund*, etc. The reserve of depreciation deductions allocated for capital repairs is channelled by industrial associations to those production associations (enterprises) which lack their own resources for capital repairs. Part of the depreciation deductions intended for the complete restoration of fixed assets are employed by all-Union (republican) industrial associations for technical re-equipment and modernisation of operating enterprises in conformity with capital construction plans. The system of bonuses awarded to industrial associations' workers has been made dependent on improvements in the quality of the work they do and the fulfilment by constituent enterprises (production associations) of their delivery obligations in compliance with contracts (orders), and with consideration of the results of socialist emulation.

Industrial Capital, *capital* which has been advanced for producing *surplus value* and which functions in the sphere of material *production*. It is the principal form of the capitalist relations dominant in bourgeois society. It depends for its existence on the classes — the proletariat and the bourgeoisie. Its domination was established once it spread through material production as a whole. As it develops, industrial capital subordinates and transforms the sphere of circulation, ousts usury and merchant capital, and creates its own credit system and capitalist trade. The major feature of industrial capital is its constant movement, which augments *value*. The completion of one cycle of movement of the functional forms of capital is called the circuit of industrial capital (see *Circuit of Capital*). Each of the

functional forms (money, productive and commodity) performs its own circuit. *Money capital* and *commodity capital* are constantly in the sphere of circulation, while *productive capital* exists in the sphere of production. The functional form of productive capital is the specific, basic form of industrial capital. *Merchant's capital* has money and commodity forms, while *loan capital* assumes only money form. The continuous circuit of industrial capital requires the constant consecutive change in its forms and the maintenance of the necessary proportions between them. Even so, continuous circuit is periodically interrupted because of the domination of the private ownership of the means of production, and the antagonistic character and spontaneous development of capitalist production. The domination of industrial capital reaches its apogee in the epoch of free enterprise, which at a definite stage of its development gives rise to monopolies, principally in the sphere of production, and subsequently of trade and credit. This underlies the merger of industrial and banking capital, and the appearance of a new type of capital — *finance capital*.

Industrial Reserve Army of Labour,
see *Unemployment; Relative Surplus Population.*

Industrialisation, Capitalist, spontaneous process of industrial development of the capitalist countries, which leads to the preponderance of heavy industry in their economies, and to the development and establishment of machine production (see *Machine Production under Capitalism*) constituting the material base of the final victory of the *capitalist mode of production* over feudalism. It usually begins with light industries which require less capital for their development; the turnover of capital in light industry is faster, which explains the quicker compensation of expenditures and acquisition of more profit. When the demand for the means of production in light industry has grown and sufficient profits have been accumulated in its sectors, heavy industry begins devel-

oping and gradually predominates. Resources for capitalist industrialisation are obtained from the exploitation and plunder of the working people both at home and abroad, above all in the colonial and dependent countries, as well as from wars, bondage loans and *concessions*. Large-scale machine production is developed primarily to enrich the capitalists and is coupled with greater exploitation of the workers, the greater intensity of their labour, more industrial accidents and higher *unemployment*, which exacerbates the antagonisms between the proletariat and the bourgeoisie. Capitalist industrialisation promotes rapid urban growth, widens the rift between town and country and heightens the contradictions between the technically advanced and economically underdeveloped countries. Because of the uneven development inherent in capitalism, industrialisation has not occurred simultaneously in different countries, and has proceeded at different tempos. It began with the Industrial Revolution in England (last third of the 18th—first quarter of the 19th century) and later enveloped other countries. In the 19th century Great Britain, Germany, France and the USA had powerful heavy industry and became industrial states. They prevented the industrialisation of the colonies and dependent countries, especially development of heavy industry, and in particular engineering. As a result there are now many countries which are far behind the industrialised world. Only when they freed themselves from colonial oppression were young independent states able to industrialise — an important factor in winning both political and economic independence.

Industrialisation in the Developing Countries, increase in the proportion of industry in the economy, the building of new industries and enterprises, the equipping of backward agriculture and other economic sectors with modern machinery and technology. Industrialisation is a crucial issue in the transformation of backward, monocultural economies, in achieving economic independence, in reforming the social

structure and in creating and strengthening the proletariat. The socialist-oriented countries emphasise the development of the public sector in industrialisation (see *State Sector of the Economy of the Developing Countries*), within whose framework governments are striving to concentrate key enterprises. The state policy of the capitalist-oriented countries, on the other hand, is directed at creating tax, customs, credit and other economic conditions that will encourage the activity of state and national private capital, while some countries also encourage foreign monopoly capital in building industry. Several developing countries have built industrial enterprises with modern equipment and technology, especially in heavy industry. But in most developing countries, industrialisation is only making first steps, as it faces great difficulties which stem from the limited accumulation fund, narrow domestic market and low cultural development and professional training. These difficulties are also largely determined by the fact that pre-capitalist structures still exist in their economies — largely in agriculture — and also by the fact that huge sums are funnelled out of their national wealth by foreign monopoly capital through the export of profits. The imperialist powers are trying to channel the industrialisation of the developing countries to suit their own ends, by forcing them to accept the development of labour-intensive processes, and enterprises that pollute the environment. The imperialist powers also insist that the developing countries open the door to capital investment by transnationals, which would result in their greater economic dependence on imperialism. The developing countries are being effectively assisted in their industrialisation by the Soviet Union and the other socialist countries, which provide them with economic and technical help in building industrial, power, agricultural and other enterprises that promote their economic and political independence, and in training qualified national personnel.

Industrialisation, Socialist, the process of eliminating a country's economic backwardness and transforming it into an in-

dustrial country through the planned building of large-scale socialist industry, above all heavy industry, which ensures that socialist *relations of production* will predominate. Socialist industrialisation differs radically from capitalist industrialisation (see *Industrialisation, Capitalist*) in its objectives, sources, methods and social consequences. It must restructure the economy on socialist principles, ensure a high standard of well-being for all, and raise people's cultural and technical levels. It ensures the triumph of socialist forms of economy over the capitalist forms, and serves as the base for transforming small individual peasant economies into large socialist collective farms, and for strengthening the positions of socialism in the struggle against capitalism inside the country and internationally. Industrialisation in the USSR during the pre-war five-year economic development plans eliminated the contradictions between the most advanced socio-political system and the backward material and technical base inherited from pre-revolutionary Russia, and led to the victory of socialist production relations in both town and country. It created the material base for eliminating the antithesis between town and country and between mental and physical labour. The means for socialist industrialisation are found in internal resources, accumulation in the economy, such as the profit of state enterprises and banks, part of the *surplus product* made by peasants, resources obtained from domestic and foreign trade, etc. Industrialisation in the socialist countries occurs at high rates, which is one of their huge advantages over the capitalist countries. Socialist industrialisation in the USSR had the following features: 1) The Soviet Union had to build large-scale machine production and ensure the industrial development of the entire economy even though it lacked adequate experience and was surrounded by hostile capitalist states. 2) The Soviet Union relied on its own resources, as it was denied material and financial assistance by other countries. 3) The Soviet Union built its entire industrial complex, in particular heavy industry. Industrialisation in the other socialist countries had its own peculiarities,

stemming from the existence of the world socialist system and the international socialist division of labour (see *Division of Labour, Socialist International*). In the new international conditions, these countries are now able to concentrate their efforts on building those industries for which they have the most propitious natural and economic conditions. Apart from their internal resources, the countries of the world socialist system extensively use credits granted by the USSR and other socialist states, and draw on mutual assistance in developing science and technology and in training national personnel. The USSR had to build the material and technical base to sustain developed socialism once foundations of the new, socialist system had been built. This is the common way that will be followed by all countries which are embarking on socialist economic transformations beginning at a low or medium level of development. The tasks of industrialisation in the countries which have developed their productive forces by the time the socialist revolution triumphed are very different from those of the countries with a low or medium level of economic development. But there is no doubt that here too, many fundamentally new tasks have to be dealt with, such as subordinating large-scale machine production to the interests of society as a whole, changing its structure, rationally locating the *productive forces* throughout the country in conformity with the new objectives of production, learning the science of planning and new economic management, etc.

Inflation, the filling of money circulation channels with paper money over and above actual economic requirements, which leads to its devaluation; a means of redistributing national income and social wealth in the interests of the ruling classes under capitalism, a method of intensifying the exploitation of labour by capital. It is manifested in the rapid spontaneous growth of prices, especially the price of mass consumer goods. Inflation most of all affects the working class, for devaluation increases the price of consumer goods above that of nominal wages. Inflation also has a negative impact

on small producers, since the prices of their output increase more slowly than those of the products of large capitalist enterprises. Moreover, their money savings lose their value. Inflation also affects the position of people on fixed incomes, such as office employees, teachers, pensioners, etc. Inflation is usually the result of budget deficits, when the capitalist state begins to intensively issue paper money, as it is in no position to cover its increasing expenditures resulting from wars and economic upheavals through taxes, loans, etc. This tends to sharply devalue money in relation to gold, commodities, and foreign currency. (Circulation channels can also be overflown without any additional emissions of paper money, for example, because of the curtailed volume of production). During the *general crisis of capitalism* and comprehensive heightening of its contradictions, when gold is taken out of circulation and credit money is no longer exchanged for gold, inflation becomes universal and chronic. The growth of inflation is largely encouraged by the activities of the monopolies which try to constantly raise the price of their products. In capitalist practice, a difference is usually made between creeping inflation, which is expressed in the continuous and constant growth of prices, and galloping inflation, under which prices increase rapidly and spasmodically. Depending on the degree to which inflationary processes extend to particular regions of the capitalist world, inflation is divided into world, embracing several countries, and local, developing within one country. Since the 1960s, inflation in the capitalist world has been accompanied by economic crises and slumps in production, and rising unemployment; this is called *stagflation*. Such trends were very clearly seen during the deep crisis of 1974-75, when the decline in production and tremendous growth in unemployment were accompanied by snowballing prices and higher inflation. Inflationary processes continued into the next few years. In 1981 prices increased in the developed capitalist countries by an average of 130 per cent as compared with 1970, or by 50 per cent as compared with 1978. Fearing the

destructive socio-economic consequences of inflation, the imperialist state tries to regulate it. However, the permanent instability of the capitalist economy, particularly its financial and credit sphere, and the crisis of the monetary system make inflation a characteristic phenomenon of today's capitalist world, ultimately undermining its foundations and heightening its antagonistic socio-economic contradictions.

Infrastructure, the set of economic sectors servicing the productive and non-productive spheres of the economy. It includes the highways and ordinary roads, canals, airfields, power plants and lines, transport, warehouses, general and vocational education, public health service, etc., and is divided into productive and non-productive. The productive infrastructure directly serves material production; it is made up of all branches of transport, communications, warehouses, and material and technical supply. It also includes such general-purpose services of production as the system of power networks, thermal mainlines, oil and gas pipelines, industrial transport, the engineering systems of enterprises, and also computer centres and automated control systems. The non-productive infrastructure combines the services which ensure the general conditions of people's daily activity, such as public health, education, rest and leisure institutions, tourism, etc. The development of the branches of the infrastructure has a direct impact on the development of social production and its growing effectiveness. As the productive forces expand, so does the role of the productive infrastructure. There emerge fundamentally new types of transport and communications facilities, which develop both in the framework of individual countries and internationally. This shapes the material infrastructure of international cooperation as a totality of the national elements of transport and communications systems servicing the foreign economic activities, and also interacting structures and projects ensuring environmental protection, the rational use of water and other resources, the operative exchange of meteorological information, etc. Under *state-monopoly capitalism*

the monopolies make the state responsible for financing and developing the infrastructure. Ultimately, all these expenditures are paid by the ordinary taxpayer — the working people. In developed socialist society the infrastructure plays an important role in dealing with fundamental socio-economic tasks. Therefore, more resources are allocated to accelerate the development of transport, communications and material supply. The non-productive infrastructure ensures higher living standards and better conditions for the all-round development of the physical and intellectual capabilities of the members of developed socialist society. Scientifically grounded planning of the proportions between material production and the branches which service it, and the development of these branches in conformity with the requirements of building communism are of great importance for the rational use of resources, for more effective social production and for further raising people's living standards.

Institutionalism, a current in bourgeois political economy based primarily on the non-economic interpretation of the essence and motive forces of the economic processes of capitalism. Its basic category is institutions, which it understands as various psychological, legal and moral ethical phenomena (customs, habits, instincts), as well as social and socio-economic phenomena determined by them (the state, trade unions, corporations, competition, taxes, the family, etc.). Institutionalism made its appearance in the late 19th century as a response to the changing ideological and practical requirements of the bourgeoisie as a class, as free enterprise capitalism was evolving into imperialism. The school was founded by the American economist and sociologist Thorstein Veblen. Its most eminent representatives are American economists and sociologists William Hamilton, John Commons, William Mitchell, John Galbraith, Daniel Bell, Robert Heilbroner, the Swedish scientist Gunnar Myrdal, and the French economist François Perroux. The basic aim of institutionalism is to defend the interests of the monopolies and *state-*

monopoly capitalism. This school was one of the first trends of *vulgar bourgeois political economy* to try and justify state-monopoly capitalism. State interference in the economy in the interest of the monopolies is presented as the introduction of "social control" over production or the organisation of a "regulated economy". The "institution" category is used to gloss over the class division of bourgeois society into exploited wage labourers and the exploiting bourgeoisie, and to conceal the class antagonisms in capitalist society. Institutionalism also tries to dilute within this category the difference between the twinned main aspects of the *capitalist mode of production*: the productive forces and relations of production, and thus divert people from understanding the inevitable exacerbation of the *basic contradiction of capitalism* and the historical inevitability of socialist revolution. The institutionalism conceptions are socially heterogeneous. This fact and the vagueness of the concept of "institution" explain the absence of an integral economic theory. Institutionalism is represented by four schools: 1) psychobiological (Veb- len), which justifies the state of things under capitalism because it is allegedly the product of human nature and human customs; 2) socio-legal (Commons), which regards legal relations as the factors determining the socio-economic essence of the production relations of capitalism; this makes it possible, on the grounds of legal fetishism, to gloss over the exploiting nature of the capitalist mode of production and portray the relations between labour and capital as equal relations between legal parties, and to reduce the "criticism" of capitalism to censuring a few instances of blatant lawlessness and tyranny; 3) empirical (Mitchell), which tries to develop statistical methods to justify certain capitalist realities (economic cycles, crises, economic growth rates, etc.); 4) production-fetishist (Galbraith), which seeks to provide an apologetic explanation for the socio-economic essence of modern capitalism through fetishising modern large-scale industrial production and the phenomena produced by the current sci-

tific and technological revolution. The latter school ignores the exploitative nature of capitalist relations of production and the fundamental difference between the capitalist and socialist social systems as it tries to reveal the features of the "industrial" and "post-industrial" societies it proclaims (see *Theory of Industrial Society*) directly in the specific features of today's large-scale industrial production. In the 1960s and 1970s the role of institutionalism grew, which is very indicative of the deepening crisis in current bourgeois economic thought.

Insurance Monopolies, a variety of specialised finance companies effecting monopoly concentration and control in the insurance field under imperialism. Their function is accumulating uninvested capital (in currency) and savings through insurance channels and utilising these insurance funds to finance monopoly corporations and the capitalist state. The origin and expansion of insurance monopolies is linked to the deteriorating economic situation of the working people who, faced with the obsolescence and inefficiency of the state social security and insurance system, have to turn part of the necessary product into payments to insurance companies for insurance in old age, in anticipation of the possibility of losing their jobs or being incapacitated. Heightened contradictions in the process of capitalist reproduction stimulate the expansion of operations for insuring company property. The money returns in the form of insurance premiums and incomes from active operations are annually far in excess of payments to insurance policy holders. As a result, insurance monopolies can raise enormous amounts of currency that can be used to credit investing capitalists, or purchase bonds, shares and other security issues of commercial, industrial, transport and other corporations. In many countries, insurance monopolies are major holders of corporate securities and occupy leading positions in the long-term financing of the economy. At the same time, the insurance monopolies actively participate in credit-

ing the state, and are representative purchasers of state bonds. The insurance business is a highly monopolised branch of the modern capitalist economy. Most insurance funds are concentrated in the hands of a few large monopolies, which exercise growing pressure in the *loan capital* market. There is a sharp struggle between competing insurance monopolies for domination of the insurance market, and a great number of mergers and absorptions are occurring. Concurrently, competition with other credit and finance institutions — banks, retirement funds, *investment companies*, etc. — for investment markets and customers is being intensified. In the course of this struggle there is a *concentration of capital* and operational *diversification* among the major insurance monopolies. Reacting to the process of the internationalisation of economic affairs, the big insurance monopolies in capitalist countries are expanding into the world market, penetrating the economy and insurance business of other countries. On the one hand, this development results in the establishment of a network of foreign divisions and subsidiary companies for looking after insurance operations; on the other, credit and investment expansion is carried into other economic fields abroad. Competition between the national insurance monopolies in the leading capitalist countries is becoming more acute. By accumulating colossal stocks of capital in their own countries and abroad, the insurance monopolies help concentrate wealth on the one pole and poverty on the other, and serve to expand and increase the economic domination of *finance capital* as a whole.

Integral National Economic Complex (under socialism), union of and interaction between all links of social production, distribution and exchange in the country. It is founded on socialist public ownership of the means of production and the advanced social division of labour. It is formed on the basis of state plans for economic and social development with the growth of *productive forces*, an advance in the branch and territorial division of labour,

and the maturing of socialist *relations of production*. The establishment of the complex is finished when developed socialism has been built. The Soviet Constitution includes an article stressing that the country's economy has turned into an integral economic complex. It embraces the economies of all constituent republics, the branches of material production, and the non-productive sphere. An integral part of the complex is science to the extent to which it acts as a directly productive force. With the advance of the international division of labour and the progress of socialist economic integration, the integral economic complex of the USSR becomes a component part of the *world socialist economic system*.

Integration, Agro-Industrial, under Socialism, close interaction and meshing of agriculture and industry, their interpenetration, and the organic fusion of agricultural and industrial production. Agro-industrial integration is based on profound qualitative changes in the development of agriculture itself and of other sectors of the economy (industry, transport, trade, etc.) servicing agriculture. Branches of industry which supply the collective and state farms with machinery and equipment, as well as industrial enterprises and organisations which provide technical services to the farmers play an especially important role. Today, some traditional operations and processes in agriculture are branching off and becoming part of the industrial sphere. This is particularly true of finishing products, technical services, etc. Farms are more intensely interacting with industrial enterprises which process agricultural raw materials, and with procurement, transport and trade organisations. The reason for this is that the farms are larger, more diversified, and are increasingly concentrating their production. When each farm produces and sells a great quantity of products, flaws in the work of allied sectors can seriously impair the course of its work. Delays in slaughtering cattle or selling vegetables and fruit lead to direct production losses and non-productive expenditures. The interaction of all spheres of the *agro-industrial*

complex, unified planning and the proportional, balanced development of all its sectors must provide the country with food and agricultural raw materials, and yield high *final results*. There are many forms of agro-industrial integration, each depending on the level of development of agriculture and allied sectors, on sectoral and zonal features, and on other factors. In the USSR, one of the forms is the agro-industrial enterprise of the factory-state, farm type, when, for instance, a state farm joins forces with a factory manufacturing a certain product. A more complex form is the agro-industrial association, comprising collective and state farms, industrial enterprises, procurement and trade organisations, and enterprises processing farm produce. Specific forms of integration are evolving in the sphere of material and technical services to collective and state farms. Agro-industrial integration is a new stage of implementing the ideas of Lenin's cooperative plan under *developed socialism*. It encourages expanded and more effective production and better socio-economic relations in the countryside, and brings working and living conditions in the rural areas closer to those found in urban life.

Integration, Economic Capitalist, the process of economic and political unification of the capitalist countries in the form of inter-state economic agreements aimed primarily at satisfying the interests of big and the largest monopolies. It may take various forms. The simplest is the free trade zone which dispenses with trade restrictions between the participating countries, above all customs duties. Another form is the customs union, which presupposes, alongside lifting foreign trade restrictions, the establishment of a single foreign trade tariff and a single foreign trade policy in relation to third countries. In both cases, inter-state agreements embrace only the sphere of exchange, creating formally equal conditions for the development of trade and financial accounting between the participating countries. A more complex form is the economic union, which supplements customs integration with agreements on common economic and currency policy.

This form has reached its highest level with the *European Economic Community*. Lenin foresaw the possibility of agreements of this kind between capitalist states, saying as far back as 1915 that the economic division of the world can take place both through the establishment of international monopolies and through inter-state agreements (see V. I. Lenin, *Collected Works*, Vol. 21, p. 342). Capitalist integration is in fact a new form of the division of the *world capitalist market* between the largest monopolies. Today, it is influenced by two kinds of factors: 1) The development of the productive forces, the scientific and technological revolution, and the objective tendency towards the internationalisation of the economies of individual countries. Given the dominance of *state-monopoly capitalism*, this tendency produces the aspiration to establish a mechanism of international state-monopoly regulation, particularly within the Common Market framework. 2) The growing power of the world socialist economic system and its planned economy, and the upsurge of the national liberation movement against imperialism. The big monopoly bourgeoisie is trying through integration to reduce the negative consequences of the spontaneous development of the *world capitalist economic system* and ease its internal contradictions, to mobilise the economic and political forces of the capitalist countries for the preservation and strengthening of the foundations of capitalism, and to provide a material and technical base for aggressive political alliances. The Common Market's activities prove once again that attempts by monopoly capital to use integration to "reconcile" the private capitalist form of economy with the productive forces that have grown beyond the national framework have not yielded the desired result. The economic mechanism of capitalist integration is based on the capitalist market, which generates and intensifies contradictions between individual countries and between various monopolies, classes and sectors of capitalist society.

Integration, Economic Socialist, unification and planned coordination of the ef-

forts of the socialist countries to achieve their major socio-economic objectives in the further development of the productive forces, in achieving the highest standard in science and technology, in increasing the people's well-being, and in strengthening the defence capability of each country and of the socialist community as a whole. Economic integration of the socialist countries is the process of the international socialist division of labour (see *Division of Labour, Socialist International*) regulated by the Communist and Workers' parties and governments of the CMEA member countries in a purposeful and planned way; it is the convergence of their economies and the formation of a modern, highly effective structure embracing all the national economies, the gradual *evening out (rapprochement)* of economic development levels of the socialist countries, the establishment of deep and solid links in the key sectors of the economy, science and technology, the expansion and strengthening of the international market of these countries (see *World Market, Socialist*), and the improvement of their commodity-money relations. This process is based on the principles of socialist internationalism, respect for state sovereignty, independence and national interests, non-interference in other countries' internal affairs, full equality, mutual advantage, and comradely mutual assistance. The system of economic and scientific and technical cooperation involving the CMEA member countries is based on the common laws of building socialism and communism and the basic principles of managing the socialist economy, and on the organic combination of joint planning as the principal method of cooperation with the planned utilisation of commodity-money relations: market, reciprocal trade and currency and financial relations. The aims and principles of economic integration are elaborated most conclusively in the Comprehensive Programme for the Further Extension and Improvement of Cooperation and the Development of Socialist Economic Integration by the CMEA Member Countries, which was adopted by the 25th session of the Council for Mutual Economic Assistance in July 1971 and which runs

for 15-20 years. It contains jointly elaborated economic measures to be implemented stage by stage within a period of time established by the programme, and takes account of the interests of each country and the socialist community as a whole. The programme determines the ways and means of ensuring consultations on economic and on scientific and technical policy, and improving planned forms and methods of cooperation for the annual, five-year and long-term national economic plans. The programme also accentuates development of the international specialisation and cooperation of production, and the combining of the efforts of the socialist countries in expanding the production of items in short supply, in the construction of several major projects, and the closer coordination of scientific and technical potentials. The programme has determined the principal directions and tasks in planning, science and technology, foreign trade, price formation, currency and financial relations, standardisation of key products, and development of the basic sectors of the economy: industry, agriculture, transport, construction, and water economy. Other key questions are improving the legal foundations of the cooperation between the CMEA member countries, and organisational matters. Many institutions and organisations have been formed in pursuance of the Comprehensive Programme within the CMEA framework; they base their activities on the jointly elaborated principles and standards (see *International Economic Organisations of the Socialist Countries*). As is pointed out in the Comprehensive Programme, socialist economic integration is open, and does not erect any obstacles to the development of economic ties between CMEA countries and the developing countries of Asia, Africa and Latin America, or between the CMEA members and the industrialised capitalist countries. In contrast to capitalist economic integration (see *Integration, Economic Capitalist*) which is based on the dominance of imperialist powers over the economically underdeveloped countries and on the exploitation of the people by monopoly capital, socialist economic integration meets the vital requi-

ments of all nations and opens up vast opportunities for increasing their prosperity.

Intelligentsia, see *Classes, Social*.

Intensification of Agriculture, greater output of farm produce through the more effective utilisation of tilled land thanks to the employment of new techniques, technology and more advanced forms of organising labour and production. Today, intensification is becoming the main form of expanded reproduction in agriculture. Today, it is usually more advisable to use farm machinery, fertilisers and other resources produced on an extended scale to increase the productivity of already utilised land. This increases the return of earlier and new resources invested in land, and makes it necessary and economically expedient to primarily use intensive forms of the development of agriculture rather than extensive forms like cultivating new land while not improving the technological base. Furthermore, today there are far more possibilities for the intensive development of agricultural production. Intensification presupposes greater capital investment in agriculture. In 1959-65, capital investment in farm production accounted for 20 per cent of the total for the USSR, in 1966-70 for 23 per cent, in 1971-75 for 26 per cent, and in 1976-80 for more than 27 per cent. The CPSU regards the systematic increase in capital investment in agriculture as the fundamental issue of agrarian policy. It therefore attaches exceptional importance to ensuring high returns on the new investments, as well as to more fully utilising the latest achievements in science and technology, advanced production methods and organisation, and to using improved machines and equipment, etc. Intensification increases output per each unit of resources employed thanks to their more intensive functioning and active use of all factors of production. It presupposes the continuous improvement of techniques, technology and management methods. The extensive development of agriculture retains its importance as well. Almost all farms have land reserves. Yet the extensive path

does not take a "pure form", since the development of new land through irrigation, drainage, etc. involves the employment of new machinery and advanced production methods and the use of the achievements of *scientific and technical progress*. The intensification of agriculture is expressed in the total value of *production assets* and current outlays, as well as in output per unit of land area. Both indices are closely connected. The value of assets and expenditure per hectare of land reveals the material and technical base and potential of intensification. Output per hectare indicates how these opportunities are realised. Farm production is intensified in different ways, above all through increasing technical equipment, asset-worker and power-worker ratio, comprehensive mechanisation of crop farming and livestock raising, the introduction of industrial technologies and the transfer of production to industrial lines. Intensive production presupposes the comprehensive use of chemicals, the broad and rational use of mineral and organic fertilisers in combination with a scientifically grounded farming system and effective measures of pest and plant disease control. Intensification also involves better plant selection and livestock-raising, the development and introduction of advanced varieties and hybrids, and highly productive animal breeds adapted to particular soil and climatic conditions. Of considerable importance in intensifying agriculture is changing the crop structure and replacing less productive cultures by more productive, as well as organising specialised zones of production. One way of increasing land quality, and consequently of intensification, is land improvement. Investing more in irrigation and drainage, lime treatment of acid soils, and rational management of meadows and pastures — all ensure a good basis for high and stable yields. Irrigation improves the plants' water regime and stimulates the key physiological processes, thus considerably increasing productivity per hectare of ploughland. Field protecting forest belts control draughts and arid winds, and wind and water erosion, thus helping to increase soil fertility. An important role in intensi-

fying agricultural production, particularly crop farming, is played by proper location and concentration on the basis of inter-farm cooperation and agro-industrial integration. The further development of the productive forces today requires a fundamentally new approach to the organisation of agricultural production, its deeper specialisation and the pooling of efforts by farms in order to more extensively use the achievements of scientific and technical progress. Science and practical experience confirm that this is a sure way of rationally using land, manpower, machinery and other factors of intensification, and of accelerating on this basis the growth of production and increasing the efficiency of agricultural production. Intensification and increasing the efficiency of agricultural production are now a major feature of the CPSU agrarian policy. Its main components are the creation of stable economic conditions to ensure expanded reproduction on collective and state farms, consistent intensification, the introduction of the achievements of scientific and technical progress, the consolidation of the material and technical base, comprehensive mechanisation and chemicalisation, extensive land improvement, observance of the Leninist principle of material incentives, the proper combination of public, collective, and personal interests, and the implementation of a set of social measures to considerably improve rural living standards.

Intensification of Production under Socialism, a form of expanding production by which growth is achieved through the better use of natural, material, financial and manpower resources and through the employment of more sophisticated means of production. Intensification of the economy and its higher effectiveness mean above all that production expands more rapidly than expenditure for it and that comparatively fewer resources needed in production lead to better results. Production intensification is a higher form of expanded reproduction than the extensive expansion of production (see *Reproduction*), which is typified by a greater

number of people employed and more means of production with an unchanged technical level. Intensification of production is based on the broad use of scientific and technical achievements, better production organisation, higher cultural and professional level of workers and an improvement in the *quality of work* throughout the economy. The main criterion of the intensification level is the degree to which improved techniques and technology are employed in production to economise on labour and material resources per unit of output. Intensification is the necessary condition for increasing the *efficiency of social production*. It finds its final reflection in production efficiency indices, such as the growth in *labour productivity*, a higher *output-asset ratio*, a drop in *material intensity*, and better *quality of output*. Production intensification is a characteristic feature of the economy of *developed socialism* in the USSR. The creation of the material and technical base of communism presupposes the transition to the broad intensification of production, and a comprehensive growth of its economic effectiveness, which is indispensable for achieving a dynamic and harmonious development of the economy which will help ensure the fuller satisfaction of the requirements of all members of society. In developed socialist society, there is a growing need for production intensification because of the reduced influx of manpower resources into production, which is primarily the consequence of a considerable increase in the number of able-bodied persons who leave work to study at higher and specialised secondary schools, and also the considerable increase in the *non-production sphere* of the economy because of the rapid development of science, culture and the services. There are two forms of intensive extended reproduction — asset-intensive, and asset-saving. With the first, labour productivity grows because of the increase in the expenditure of production assets per unit of output, while with the second, it is accompanied by a saving of assets per unit of output. The second form saves part of the means of production to

accelerate economic development rates and increase the volume of production given the same amount of capital investment and fixed and turnover assets, and natural resources. Under the asset-saving form of intensive expanded reproduction, the growth in labour productivity outstrips that of the asset-worker ratio, which improves the use of *production assets* and makes production more effective. Today, the principal methods of intensifying socialist production are: acceleration of *scientific and technical progress*, improvement of the economic structure, increased efficiency in employing labour resources, acceleration of the growth of labour productivity, as well as a considerable increase in the level of utilisation of fixed assets, more effective use of material resources, implementation of measures to protect the environment and rationally utilise and reproduce natural resources, and better economic management. Playing an important role in increasing production intensification are the socialist countries' all-round cooperation and the development of socialist economic integration (see *Integration, Economic Socialist*).

Interest, under capitalism, part of the profit which the investing capitalist, industrialist or merchant, pays the owner of *loan capital* for the right to use his monetary resources for a certain period. In its economic content interest is a converted form of *surplus value*. Its source is the entrepreneur's *profit*. Part of the profit is transferred in the form of interest to the owner of the loan capital as payment for the use of the loan, while another remains in the possession of the investing capitalist in the form of *income from business*. The price of money loans is expressed in the interest rate which represents the relation between the amount of interest and the quantity of loan capital. The upper limit of the interest rate is the *average (general) rate of profit*, while the lower limit is undefinable, as idle capital is employed. The actual level of the interest rate is determined by the ratio between supply and demand for loan

capital on the money market. As capitalism develops, the interest rate tends to decrease, which is explained, first, by the tendency of the average rate of profit to fall and, second, by the fact that, as the capitalist credit system develops, the supply of money has a growing margin over its demand. This trend, on the one hand, heightens the contradictions between the investing and loaning capitalists in their competitive struggle for a share of the profit, and, on the other hand, makes them more interested in intensifying the exploitation of the working class. Under *state-monopoly capitalism*, the state regulates the interest rate by using this regulation as an important financial and credit lever to influence the economy (see *State Regulation of the Capitalist Economy*). Under socialism, loan interest also exists, due to the existence of commodity-money relations, as well as cost-accounting and credit relations, but its nature is different. It represents part of the value of society's net income created in the socialist economy and expressed in cash form; it is paid by enterprises to state banks for the temporary use of borrowed finances. Its rate is regulated by the state in a planned way in order that enterprises can rationally use loans and repay them on time. The interest serves to compensate the costs of maintaining credit institutions and provides their incomes, which are one of the sources of credit activities.

Inter-Farm Enterprises, Associations and Organisations in the USSR, large enterprises of an industrial mould with extensive marketable production founded on inter-farm cooperation, i. e., the pooling of the means, material and technical and labour resources of the collective and state farms and other enterprises and organisations. They are a new stage of implementing Lenin's plan for cooperation in a mature socialist society relying on specialisation and concentration of agricultural production on the basis of inter-farm cooperation and agro-industrial integration (see *Integration, Agro-Industrial, under Socialism*). In a developed socialist society, relations of collectivism are on the

upgrade in the village, the level of socialisation of the collective farm economy increases, and *state socialist property* (*belonging to all the people*) and *collective farm-and-cooperative property* steadily merge. New forms of production associations are being created in the state-farm sector: specialised trusts, firms, production, scientific-production and other associations. Collective and state farms cooperate on an increasingly broad scale with enterprises processing farm produce, with trade and transport organisations and with organisations engaged in the technical servicing of agriculture. Agro-industrial enterprises and associations, which include specialised collective and state farms, canning and other processing enterprises, farm products storage depots and trade organisations, are being established and multiply on this basis. Inter-collective-farm building organisations play an important role. Inter-farm cooperation, which raises the level of socialised production in agriculture, accelerates the pace of its development. Specialised farms and associations can more rapidly introduce the achievements of science and technology, rationally use material and technical means and labour resources, lower the *cost of product*, (*cost price*), and improve its quality. Livestock farming on collective and state farms, which produces today most of the meat, milk and wool, can utilise their capacities to the full. The establishment of the state and inter-farm livestock complexes and enterprises is combined with the development of livestock farming on collective and state farms, greater specialisation, greater concentration of livestock, the creation of a solid fodder basis, and the introduction on these farms of mechanisation and advanced technology.

Inter-Industry Competition, one of the forms of capitalist competition characterised by the struggle between capitalists in different industries for a higher *rate of profit* on their *capital*, and for using it most profitably. Capital is transferred spontaneously from one industry to another through inter-industry competition and the proportions of reproduction of social capi-

tal are established. As a result of inter-industry competition, capital moves from industries with low rates of profit to those with the highest. This leads to declining production in several industries, demand for manufactures exceeding supply and market prices rising above their value so that the rate of profit reaches the average level. At the same time in industries with a high rate of profit *intra-industry competition* intensifies, production expands, supply begins to exceed demand, and, as a result, market prices and the rate of profit drop because of the extensive inflow of capital, which seeks its most return. When free competition prevails, the transfer of capital from one industry to another in search of the most profitable return produces the *average (general) rate of profit*. Thus, the *law of value* spontaneously regulates the distribution of capital, means of production and labour power between the different industries of the capitalist economy via the mechanism of inter-industry competition. The economic relations, which form between capitalists in different industries when they divide the aggregate surplus value produced by the entire working class of the given country, find expression in inter-industry competition. With monopoly capitalism the transfer of capital from industry to industry is hindered. But inter-industry competition does not disappear. It facilitates the evening out of the industry rates of profit in the interests of the monopolies.

International Bank for Economic Cooperation (IBEC), the bank of the socialist community of countries, whose aim is to promote the development and extension of the international socialist division of labour, the further expansion and consolidation of economic cooperation, the perfecting of the system of handling settlements of the socialist countries and the expansion of their economic ties with other countries. It is founded on the Agreement on Multilateral Settlements in *transferable roubles* and began operating on January 1, 1964. Its members are Bulgaria, Cuba, Czechoslovakia, the GDR, Hungary, Mongolia, Poland, Romania, the USSR and Vietnam. A Council

consisting of representatives of the Bank's member countries is the highest body of the IBEC. The Board is its executive body. Every country has one vote regardless of what it has contributed to its original capital of 300 million transferable roubles. Share payments of the Bank's member countries are established on the basis of the volume of exports in their mutual trade. Payments are made in transferable roubles, convertible currency and gold. The IBEC performs the following functions: it handles multilateral settlements in transferable roubles, credits foreign trade and other operations of the Bank's members; draws and holds free means in transferable roubles, gold, convertible and other currency of the Bank's members and other countries, engages in other operations with gold, convertible and other currency, and performs bank operations that correspond to the Bank's aims and tasks, ensuing from its Rules. The Bank's activity is based on complete equality of and respect for the sovereignty of its members. Credits granted by the Bank are planned, target-oriented, repayable and paid in character. The IBEC grants credits of two kinds in transferable roubles — short-term credits and long-term credits. The latter is provided to cover the requirements in means, for a longer term (1-3 years), for development of international specialisation and cooperation, trade expansion, levelling out trade balance, for seasonal needs, etc. The IBEC performs settlement operations of financing capital investment and crediting the jointly built national economic units. For granted credits in transferable roubles, the Bank charges interest set by the Council.

International Economic Organisations of the Socialist Countries. organisations functioning in various realms of the activity of the CMEA member countries (see *Council for Mutual Economic Assistance*). In certain instances they encompass a complex of different stages of production (scientific and technical developments, production activity, services) and in others — only some of these stages. The greater internationalisation of the productive forces, the growing socialisation of production and

exchange, of science and technology, and the extending economic integration of the socialist countries (see *Integration, Economic Socialist*) are an objective basis for the development of these organisations. The creation of these organisations is determined by concrete objectives and tasks facing the CMEA member countries in various fields of the economy and scientific and technical progress and, above all, by the necessity and expediency of jointly dealing on a mutually advantageous basis with the specific problems of manufacturing products, developing a scientific and technological capacity, improving international transport and more rationally handling international settlements. The international economic organisations are established on a multilateral and bilateral basis, and plan their activity on the general principles of relations between socialist countries. As far as their character and legislative status are concerned, they are subdivided into inter-state organisations and international economic associations, joint enterprises and international economic companies. Coordinated actions by member countries in certain fields of the economy, science and technology, in certain industries, sub-industries and in certain products serve as the basic function of the inter-state economic organisations. They are founded on the basis of treaties concluded between the socialist countries concerned. The international economic organisations have been established to coordinate joint efforts in a concrete way, as well as for joint economic activity in research, planning and design, production, services and foreign trade. Taking part are the economic organisations of the socialist countries — associations, enterprises, institutions, etc., i. e., organisations which are subjects of civil law and which retain complete legal and organisational independence. Whereas the international economic associations and joint enterprises are legal persons, the international economic company is not, although it also either coordinates the actions of its participants or conducts their joint economic activity. It functions on the basis of joint control and of management of the affairs by one of

its participants on the instructions of the rest. Today there are over 30 international socialist economic organisations in the system of economic and scientific and technical cooperation. Among them are: the *International Bank for Economic Cooperation* and the *International Investment Bank*; the production organisations such as Intermetall, Interchim, the Organisation for Cooperation in Ball-bearing Industry, Railway Freight Transport, and the Joint Institute for Nuclear Research; the international economic organisations Interatom-instrument, Interatomenergo, Intertextilmash and Interchimvolokno; bilateral organisations such as Assofoto and Interport; and the joint companies Haldex, Erdenet and others. The activity of the international socialist economic organisations promotes the successful development of integration processes.

International Investment Bank (IIB), the bank providing long-term and intermediate-term credits to the countries of the socialist community. It began operations on January 1, 1971. Among its members are: Bulgaria, Cuba, Czechoslovakia, the GDR, Hungary, Mongolia, Poland, Romania, the USSR and Vietnam. Has its headquarters in Moscow. Original capital amounts to over 1,000 million transferable roubles with 70 per cent of that in *transferable roubles* and 30 per cent in freely convertible currency. As far as its economic basis, conditions and character of its credit activity are concerned, the International Bank is a credit institution of a new type, differing in principle from capitalist *banks* and monetary and financial organisations. Its establishment created possibilities for concentrating and using rationally the investment means of the CMEA member countries for implementing joint ventures. The principal function of the IIB is to grant long-term (up to 15 years) and intermediate-term (up to 5 years) credits for initiatives in the socialist international division of labour, specialisation and cooperation of production, the expansion of the fuel and raw material base in the common interest, the construction of facilities involving the Bank's member countries and

essential for the development of their economies, as well as for other purposes. Bank credits are planned, target-oriented, repayable and paid in character. The Bank charges interests set by the Bank Council for granting credits in transferable roubles. By the credit, which is formed in freely convertible currency, the magnitude of interest rates is determined with due account of their level on international exchange markets. The IIB operates on the basis of *cost accounting*. It guarantees that payments on commitments will be made in time, and controls the return of loans. The Bank has established a special fund for crediting initiatives providing economic and technical assistance to developing countries, whose sum is set at 1,000 million transferable roubles. The IIB's activity is managed by the Council and the Board. The Council is the highest collective governing body, and includes representatives of all IIB member countries. Every country has one vote. The Board directly manages the activities of the Bank. The IIB is an open organisation. Other countries which share its aims and principles and are ready to assume obligations ensuing therefrom and accept the Rules can become members.

International Monetary Fund (IMF), an inter-governmental currency-credit organisation. Under its Charter, the IMF regulates monetary relations between member states and grants them short-term credits when they experience monetary difficulties because of payments deficits. Founded by a decision of the Monetary and Financial Conference at Bretton Woods (1944) the Fund, consisting of 146 member states (1982), began its operations in 1947. The Fund Board has its headquarters in Washington (USA). The USSR does not take part in the Fund. Being the tool of supranational state-monopoly regulation of the international monetary sphere, the IMF has a definite effect on the economic policy of member countries, especially those which are IMF debtors. The IMF in fact is controlled by the United States, which retains leading status in it and uses the IMF to uphold the position of the dollar as the key currency of the capitalist world. Pro-

viding international liquidity, during a period of ongoing crisis of the monetary and financial system of imperialism (see *Monetary Crisis*), i.e., the ability of the countries to make unhindered payments on international operations, freely converting the favourable balance into the currencies used as means of international settlements, is the most difficult problem facing the IMF members. To deal with this problem the IMF has introduced the system of granting mutual credits in special drawing rights (SDR). The SDR is the international reserve-settlement means operating under the IMF in the form of entries on special accounts of member countries. Initially the SDR was equated to the dollar but as of July 1, 1974, its value content, as a result of the dollar's devaluation (1971), was determined indirectly on the basis of the currencies of leading Western countries, in which the dollar accounted for approximately one third of the value. The SDR was introduced because of the inter-monopoly struggle by imperialist powers for spheres of influence. The role of the SDR is to cover payments deficits of IMF member countries, replenishing currency reserves and settling accounts with the Fund. The attempts to artificially revitalise the capitalist monetary system with the help of the SDR did not yield positive results since the SDR itself has no value and real guarantee in the form of national currencies and material benefits. The aggravation of the monetary and financial crisis and constant monetary-economic disequilibriums have led to new conflicts and clashes between imperialist states. The system of fixed exchange rates elaborated at Bretton Woods in fact ceased to exist in 1973 and was replaced by the so-called floating exchange rates (i.e., depending on the supply and demand on the exchange). But measures of international regulation by using floating exchange rates yielded no positive results. Everything that the IMF does leads to the expansion of the market of capitals, the irrational growth of the number of payment means in circulation, and the aggravation of relations between creditors and debtors. The balances of payments of the IMF member coun-

tries are chronically imbalanced, and the imperialist contradictions are insurmountable.

Inter-national Monopolies, large monopolies of the imperialist countries, multinational in capital and sphere of operation. The formation of inter-national companies is linked with the international interlocking of the interests of capital of different countries in the epoch of imperialism on the basis of *export of capital*, and is a form of the *economic division of the world*. One of today's biggest inter-national oil monopolies, Royal Dutch-Shell, controlled by British and Dutch capital, appeared at the beginning of the century. Subsequently another inter-national monopoly, Unilever, was formed, also controlled by the British and Dutch capital. The biggest nickel company in the capitalist world, The International Nickel Company of Canada, nearly half of whose shares are held by American capital and the rest by British and Canadian capital, is inter-national in its national origins of capital. New inter-national companies appeared in the mid-1960s. Most were formed by big West European monopolies, of approximately equal size, which associated their capital in an attempt to oppose the big American transnationals. This explains the origin of the British-Italian technical-rubber industry giant Dunlop-Pirelli, one of the biggest and most extensively internationalised corporations in the capitalist world, and of several other corporations. The growth of inter-national companies is one of the most vivid manifestations of the internationalisation of capital — a process intensifying with the extension of the capitalist international division of labour. In turn, inter-national companies, like the transnationals, while developing specialisation and cooperation between their enterprises, promote the growth of the international capitalist division of labour (see *Division of Labour, Capitalist International*). Spreading throughout the capitalist world, inter-national monopolies, alongside the transnationals, exploit hundreds of thousands of working people in the capitalist and economically less devel-

oped countries. Often the interests of the inter-national monopolies clash with those of the state even in the industrially developed capitalist countries, which gives rise to acute contradictions in the *world capitalist economic system*.

International Trade, the exchange of commodities and services between states. International trade made its appearance in distant past. However, since all pre-capitalist modes of production were based on the natural economy, only a small portion of what was produced figured in international commodity trade. Capitalist production steadily increases in the interests of extracting higher profits and therefore "outgrows the bounds of the village community, the local market, the region, and then the state" (V. I. Lenin, *Collected Works*, Vol. 3, p. 66). This considerably expands the scope of international trade. Although initially only the more developed capitalist countries were engaged in international trade, with the development of capitalism more and more countries were drawn into it. The character of international trade is determined by the production relations in the participating countries. The 16th and 17th centuries witnessed the appearance of a world capitalist market (see *World Market, Capitalist*), which in the early 19th century assumed developed forms and in the epoch of *imperialism* became a universal capitalist market on the basis of the *export of capital, economic division of the world* and ultimate formation of the *colonial system of imperialism*. International trade in this market reflected the domination of the imperialist powers over the rest of the countries of the world. A world socialist market (see *World Market, Socialist*) emerged after the victory of the socialist revolution in Russia and several other countries. Rapidly growing trade among the socialist countries reflects the new content of international economic relations — relations of genuine equality and mutual assistance. International trade develops between socialist and capitalist countries as well, influenced by

the production relations of both world economic systems (see *World Market*). International trade is the principal form of international economic relations which interacts with many other forms of these relations. In particular, the development of international specialisation and cooperation of production as well as international scientific and technological cooperation finds its reflection in the expansion of the exchange of commodities and services between countries. Whereas in the past international trade involved the exchange of commodities, today it involves the growing international exchange in scientific and technological achievements through *licences and know-how*. This accounts for nearly 10 per cent of the total international trade. The development of the productive forces and the structure of world production have influenced the dynamics and structure of international trade. In the 19th century raw materials, foods and textile goods were the mainstay of international trade. Today because of greater international industrial specialisation and cooperation, industrial goods, especially machines and plant, provide an increasing share in the international trade of the socialist and capitalist countries, and in the trade between them. The socialist countries are now working for more extensive development of international trade on a mutually advantageous basis without any discrimination. International trade must benefit the economic growth of all countries, bringing peoples closer together and becoming an important factor in strengthening peace.

Intra-Industry Competition, one type of capitalist competition; the struggle between private commodity producers who manufacture the same type of commodity, to obtain more profitable conditions for their production and sale; the struggle between the capitalists of one industry to derive the greatest possible profit on the capital they have invested. Intra-industry competition results in the formation of a single market price for the given commodity, which is based on the *social (market) value* of these commodities. Enterprises where labour productivity is high and there

is a correspondingly low individual value of commodities obtain extra profit if they sell their products at the market price or even at a price slightly below it; the source of this extra profit is *excess surplus value*. On the other hand, enterprises with low labour productivity and a correspondingly high individual output value, when selling their product at the market price, lose part of the surplus value created and obtain a lower *rate of profit*; sometimes they cannot even cover production costs. Intra-industry competition results in the ruin of simple commodity producers and small capitalists, the concentration of production and capital, and the aggravation of the class contradictions inherent in bourgeois society; enterprises with a high level of *concentration of capital* rise to the top. On the one hand, this type of competition serves to enhance technical progress and raise labour productivity at capitalist enterprises, and on the other, it is a brake on the development of the productive forces, inasmuch as it engenders commercial secrets, interferes with the prompt application of discoveries in science and technology in industry, leads to the plunder of the productive forces and is accompanied by really destructive consequences, especially under the domination of big monopoly capital when intra-industry competition becomes particularly fierce.

Intra-Plant Calculus, relationships between a socialist enterprise in its entirety and its sections, which serve to stimulate the economical use of live and past labour in order to satisfy the interests of society and each of its members to the greatest extent; a method of planned operations inside an enterprise, which ensures fulfilment of plan targets. Intra-plant calculus is founded on the division of labour between the enterprise's sections, as well as on their definite economic independence. It serves to combine the interests of the sections and individual workers with those of the enterprise as a whole. Intra-plant calculus consists of comparing expenditures involved in the given volume of work with the plan figures and in providing incentives

to the workers for economising. The sections are given plan targets for the volume and *nomenclature of products*, certain kinds of work and services, and for expenditures necessary to carry out the production plan. The main difference between the intra-plant calculus of an enterprise and its cost accounting is that the enterprise's sections do not usually enjoy the status of a legal person, and there is no sale-and-purchase relations between the shops, sections and services. The introduction of intra-plant calculus presupposes that the sections are vested with definite rights to effectively dispose of productive resources to fulfil plan targets; that fixed production assets and circulating assets are allotted to the sections; that the plan of a section's activities is coordinated with the indices of the enterprise; that actual expenditures and output are correlated with the plan targets and the intra-plant economy measures or excessive expenditures, as well as the extent to which production capacities and material and labour resources are used up when fulfilling the plan targets are brought to light; that material incentives are provided to the work collective and its individual members for improving the results of the work of their section and the enterprise as a whole, and material responsibility introduced for the failure to fulfil the plan targets. The system of cost accounting indices and methods involved in their planning take into account the specific conditions of the enterprise and its sections, as well as industrial, technological, and organisational features of the operation in question. The cost accounting of production teams is especially important in making production more effective because it promotes creative initiative and socialist emulation for enhancing scientific and technical progress, for the better use of materials and machinery, and for reducing labour expenditures (see *Team Organisation of Labour*). Under production team cost accounting material and moral stimuli for the workers are more closely bound with results of their labour. What bonuses and wages each team member will receive is determined in accordance with his contribution to the joint result of the team's work. Intra-plant calcu-

lous teaches the enterprise's workers communist attitude to labour and thriftiness, and serves to increase effectiveness and quality of work.

Investment Companies, specialised credit and finance companies that accumulate the cash savings of small investors which are then used as an extraneous source of financing share-holding companies. The people's cash resources are mobilised through sales of shares of the investment companies themselves. The main sphere where the obtained resources are utilised are the shares and bonds of trade and industrial, transport and municipal corporations and also of big banks and holding companies. Thus investment companies perform the functions of an intermediate link between individual money capital and the monopoly corporations. In the USA, these institutions are called investment companies, in Great Britain — investment trusts, and in France and the Federal Republic of Germany — investment or capital investment companies. The first individual investment companies (trusts) came into being in the Netherlands

and Switzerland in the first half of the 19th century; they began to develop rapidly owing to the growth of the share-holding form of enterprises in Great Britain in the 1860s. American investment companies made their appearance in the 1920s, when they rapidly grew amidst the speculation boom on the stock market and occupied an important position on the loan capital market. The Great Depression of 1929-1933 resulted in the bankruptcy of many investment companies; many small investors lost the savings they had put into shares, which were then bought by speculators and the top crust of the most influential financial groups at low prices. Since the war the investment companies have stepped up their activity in all the capitalist countries as a result of the corporations' need of financial resources. Having accumulated the overwhelming portion of mobilised resources in corporation shares, investment companies have become an important source of long-term capital on the money market. They help increase the power of the financial oligarchy and intensify the social and property inequalities in capitalist society.

J

Joint-Stock Capital, the capital of a *joint-stock company*, made up by pooling individual capitals and the savings of minor investors received as a result of the sale of *stocks (shares)* and *bonds*. Joint-stock capital is considered to be depersonalised, as it is the property of the joint-stock company as a whole and not of individual members. In fact, however, it is manipulated by the financial tycoons who hold the controlling block of shares. On the one hand, joint-stock capital is real functioning productive capital (implements and objects of labour, production buildings and installations, etc.). On the other, it has a reflected existence in the securities of the joint-stock company — shares (stock) and bonds — which are a special "property title" and, as such, act as paper doubles of real capital. Shares, bonds, and other securities that yield a profit for their holders form *fictitious capital* and are circulated independently of the movement of the enterprise's real capital. The capital represented by securities is usually considerably greater than the capital actually invested in the enterprises of a given joint-stock company. This can be explained both by the fact that, during a boom in capitalist production, stock is sold at a premium thanks to the growth of the *dividends* it yields, and by the tendency for the average loan rate to decrease. An increase in the number of shares and bonds and of their aggregate cost points to the growth of the group of *rentiers*, a parasitic stratum of capitalists who have lost all contact with production and live on the interest from the securities they hold. All this is a manifestation of the increasingly parasitic nature of modern capitalism. At the same time, the way joint-stock capital is split in two is a striking example of how a fetish is made of capitalist production relations, since the income provided by securities gives rise to the illusion that profit can be created apart from production and independently of it.

Joint-Stock Company, a form of organisation of big enterprises prevalent in the capitalist countries; joint-stock companies acquire their capital (see *Joint-Stock Capital*) by selling shares (stock) and *bonds*. Stockholders are the company's cooperative members, while holders of bonds are its creditors. The emergence of joint-stock companies was prompted by the development of society's productive forces at the stage when the creation of large enterprises and construction of railways, canals, etc., required the pooling of individual capitals. The profits received by the company (apart from the sums allocated for expanding production, replenishing reserve capital and paying the company management wages and the state taxes) are divided among the stockholders in the form of *dividends*. There exist closed joint-stock companies, the shares of which are divided among the founders and not sold to the public, and open public companies, with shares that can be freely bought and sold. Technically speaking, everyone, including workers, holding at least one share becomes a co-owner of the assets of an open company. Using this as an argument, bourgeois economists seek to present the development of the system of joint-stock companies as "democratisation of capital" and its conversion into "people's" capital. In fact, small shareholders have no say in administering the joint-stock company, since the latter's management (the board of directors or supervisors) is elected at a general meeting of shareholders with the number of votes of each participant being directly proportional to the number of shares he holds (holders of bonds have no right to vote). The decision, therefore, rests with big capitalists who hold the *controlling block of shares*. Selling shares to smallholders thus becomes a convenient way to enhance the power of big capital, "which is able to dispose of even the smallest mites in the 'people's savings'" (V. I. Lenin, *Collected Works*, Vol. 6, p. 94). Owners of joint-stock companies benefit especially by selling shares to employees of company enterprises, this being done mostly by deducting the cost of the shares from their wages. Thus a

pretence is maintained that the working people are co-owners of the enterprise and take part in "profit sharing", and that it is to their advantage to make the enterprise run smoothly and enhance its profitability. The sale of shares to workers is called upon to undermine proletarian solidarity, split the workers' ranks and distract them from class struggle. In the age of imperialism, "democratisation" of shareholding is one way to increase the power of the *financial oligarchy*. *Finance capital* tycoons use joint-stock companies to extend their rule of the capital they do not own. This is achieved through the so-called *holding system*. In the USSR, joint-stock companies as a form of management of Soviet economy were set up in the first years of the New Economic Policy. Their purpose, which differed fundamentally from

that of such companies under capitalism, was to attract foreign capital and use it to reconstruct and develop the country's economy. These were mostly enterprises subordinate to several People's Commissariats, or mixed state-private or state-cooperative enterprises. In the early 1930s, the absolute majority of joint-stock companies was transformed into state associations — trusts, trading bodies, etc. The mixed inter-governmental parity joint-stock companies that emerged in a number of People's Democracies were also radically different from capitalist ones. Their assets were made up of contributions by the country in which they were set up and by the Soviet Union. Their purpose was to aid the reconstruction of the economies undermined by the war. This task completed, in 1954-55 they ceased to exist.

K

Keynesianism, one of the leading trends in bourgeois political economy in the epoch of the *general crisis of capitalism* which stresses the need of state intervention in the process of reproduction. The emergence of this theory is associated with the British economist John Maynard Keynes (1883-1946). In the 1930s he greatly transformed bourgeois political economy (known as the "Keynesian revolution") on the basis of the important changes in the mechanism of capitalist reproduction associated with the growth of monopoly domination and the strengthening of state-monopoly tendencies. The depression of 1929-1933 made a great impact on Keynes's views, for it graphically demonstrated that the state had to interfere in the process of capitalist reproduction. In contrast to the *neo-classical trend in bourgeois political economy* which reigned in the late 1800s and the first quarter of 1900s, Keynes concentrated his analysis on the economy as a whole. This approach became known as macroeconomic, thus giving the name of macroeconomics to his theory. The central problem of macroeconomics is the factors determining the level and dynamics of the national income. Keynesianism treats these factors primarily from the viewpoint of realising commodities by way of shaping the so-called effective demand. By analysing the main components of effective demand — consumption and accumulation (i. e., personal and productive demand) the advocates of Keynesianism concluded that their sum total, because of a possible discrepancy between the aggregate supply of goods and the aggregate demand for them, may be insufficient for sustaining the level of the national income corresponding to "full" employment. From this arises the possibility of forced unemployment, depression and economic crises, and the need for the state to sustain effective demand. This conception served as a basis for the neo-

Keynesian theory of the cyclical development of the capitalist economy (Alvin Hansen, John Hicks, Paul Samuelson). Although the advocates of this theory refused to recognise crises during which all the contradictions of capitalist reproduction explode, they were nevertheless compelled to recognise cyclical fluctuations as an inherent feature of the capitalist economy. By viewing them as a result of the insufficiency or excess of effective demand, they put forward a corresponding programme of anti-cyclic measures, based on the possibility of using budgetary, monetary and credit levers to indirectly regulate the economy. The idea is to limit the growth of demand during a boom stage, and hence to restrict price rises and, on the other hand, to expand demand during an economic recession or crisis. After the war, the so-called neo-Keynesian theory of economic growth (Roy Harrod, Evsey Domar) also gained currency. While considering the accumulation of capital as the main factor of economic growth, and by viewing the conditions of this accumulation over the long term, Keynesians claimed to have proved the necessity of state intervention to prevent prolonged deviations from "stable" economic growth. In the 1950s and 1960s Keynesianism became the dominant school of bourgeois economics. Theories in the Keynesian mould were adopted by almost all governments of industrially developed capitalist states as a method of regulating effective demand and as a basis of anti-cyclic (anti-crisis and anti-inflationary) policies. Apart from the anti-cyclic policy, based on the regulation of aggregate demand using budgetary, monetary and credit levers, efforts were made to carry out state policy in medium-term and long-term economic planning. The late 1960s and early 1970s were marked by profound changes in the socio-economic conditions of capitalism. They manifested themselves in a whole series of crises — raw-materials, monetary and financial, and cyclical — and in the rapid development of inflationary processes which greatly undermined the entire world capitalist system. These crises, and especially spiralling inflation, have re-

sulted in a crisis of economic policy. The standard Keynesian schema of anti-cyclic policy according to which inflation, usually coinciding with a boom stage, could generally be controlled by restricting demand, while crises, on the other hand, could be alleviated by expanding demand, proved untrue. It became evident that the Keynesian doctrine of the state-monopoly regulation of the economy by stimulating it via budget deficits was totally impotent. It also became difficult to flexibly manipulate the interest rate, since it had to be raised and credits grew more expensive. All these difficulties stimulated the development of crisis phenomena within Keynesianism itself. The crisis of neo-Keynesianism as an official doctrine of state-monopoly regulation was marked by renewed attacks on the theory from the right, i.e., from the neoclassicists, its traditional adversaries. The central controversy between representatives of these two wings of bourgeois political economy is the role and scope of state intervention in the economy. The crisis in Keynesianism stimulated a search for new opportunities for "renovation" and the further development of this theory among its advocates. This search is continuing, primarily in two directions. The first trend claims to be a "new interpretation" of Keynes, a "reconstruction" of the Keynesian analysis in the spirit of Keynes's ideas which it is claimed were forgotten or discarded by his "careless" followers. American economists like Axel Leijonhufvud, Robert Clower and Paul Davidson sharply criticised the orthodox, "standard" model of Keynesianism which, they said, distorted the true essence of Keynes's theory. They have tried to restore the monetary aspects of this theory in order to adapt them to the analysis and regulation of inflationary situations. They also underline the importance of the uncertain-

ty and imperfection of the information which determine, in their opinion, the instability of the capitalist system. The second trend tries to include Keynesianism in a broader political economic system based on the development of its left, or radical, interpretation. Its prime movers are Joan Robinson, Piero Sraffa and Luigi Pasinetti, to mention just a few. This left wing of Keynesianism has now formed an independent — post-Keynesian — trend in bourgeois political economy which sharply criticises the foundations of all orthodox bourgeois political economy. At the same time the advocates of this trend are trying to develop a system of views of their own, based on the traditions of left Keynesianism in macroeconomics and the views of Ricardo in treating the problems of value and price formation. All these new processes in the development of Keynesianism demonstrate that bourgeois political economy is at cross-roads. The old conceptions have lost their value, and there is a need to overhaul economic theory in order to provide new opportunities for defending capitalism.

Know-how, the aggregate of scientific and technological knowledge, technical and production experience, production secrets and inventions that have not been patented for various reasons. Know-how constitutes the wealth of information necessary for organising corresponding production. The importance of know-how has particularly grown during the scientific and technological revolution. Know-how has become an independent field of license deals, one form of the international exchange of scientific and technological knowledge on a commercial basis. Under conditions of state-monopoly capitalism, know-how is monopolised by the biggest corporations and imperialist states.

L

Labour, people's conscientious and purposeful activity by which they alter natural objects, adapting them to satisfy their own requirements. Labour is the first and main condition for man's existence. It was thanks to labour that man stood out from the animal kingdom, managed to master the elements, making them serve his own interests, learned to make *implements of labour*, and was able to develop his skills and knowledge. All together, this determined the further progress of social development. The labour process consists of three main aspects: (1) man's deliberate activities, i. e., labour itself; (2) the *object of labour*; (3) the means of labour, with which man acts on the object of labour. In their labour activities, while procuring means of subsistence, people enter into *relations of production* with one another. The *character of labour* and the form in which labour power is united with the *means of production* depend on the dominant *mode of production*. In primitive society, there was communal collective labour and communal ownership of the means of production and products of labour. With the appearance of commodity production, labour acquires a two-fold character (see *Abstract Labour*; *Concrete Labour*). In class antagonistic societies, the direct producer is subjected in the labour process to fierce exploitation by the owners of the means of production, while most of the results of his labour are appropriated by the exploiting classes. Under the *slave-owning mode of production* a contrast arises between mental and physical labour, and this becomes more acute under capitalism. The *capitalist mode of production*, based on the exploitation of wage labour, cripples people physically and morally, chaining them to the performance of a certain production operation and turning the worker into the appendage of a machine.

The organisation of labour in bourgeois society rests on starvation discipline, on the constant threat of being thrown out of work and ending up among the army of the unemployed, on the working people's fear of losing their means of subsistence (see *Unemployment*). Under capitalism, therefore, labour for the worker is a heavy burden and an enforced duty, devoid of any creative content. The character of labour changes drastically under socialism, when every producer works for himself and for his own society, where there is no exploitation of man by man and man's labour power is no longer a commodity. Labour for the benefit of society determines man's status in it. The right to work is guaranteed. Labour becomes directly social, a component of the planned labour organised on the scale of all society, turning into the worker's free, creative activity. Socialism eliminates the antithesis between mental and physical workers. Comradely cooperation, mutual assistance among people free from exploitation, and a new attitude to work on behalf of society as being the most important social cause develop and gain in strength during the building of socialism and communism. Free, conscientious *labour discipline* of the workers, united by the lofty goal of building communism, provides the basis for the socialist organisation of labour. *Socialist emulation* is a vivid manifestation of the new attitude towards labour. Socially useful work and its results determine man's status in society. Universality, the need and duty of every able-bodied member of society to take part in socially useful work is a characteristic and inalienable trait of labour under socialism. The universality of labour is expressed in the right to work. The Constitution of the USSR says: "Citizens of the USSR have the right to work (that is, to guaranteed employment and pay in accordance with the quantity and quality of their work, and not below the state-established minimum), including the right to choose their trade or profession, type of job and work in accordance with their inclinations, abilities, training and education, with due account of the needs

of society. This right is ensured by the socialist economic system, steady growth of the productive forces, free vocational and professional training, improvement of skills, training in new trades or professions..." In addition, under socialism every able-bodied citizen is duty-bound to work conscientiously, and strictly observe work and production discipline. The socialist state controls the measure of work, since labour for society has not yet become the prime vital necessity; it shows concern for a comprehensive improvement of working conditions, a reduction and, eventually, elimination of arduous labour on the basis of comprehensive mechanisation and automation of production. With the building of the *material and technical base of communism*, improvement of the socialist *relations of production* and the growth of people's communist awareness, socialist labour develops into *communist labour*, becoming not only a means of subsistence, but also the primary vital necessity of the comprehensively developed person, a source of creative inspiration and delight.

Labour Aristocracy, the relatively thin and usually highly skilled upper crust of the working class in imperialist countries which is bribed by the monopoly bourgeoisie with a share of the superprofits obtained through the heightened exploitation of the working people in their own countries and the ruthless exploitation of colonial and economically less developed peoples. It is a phenomenon of the stage of monopoly capitalism. The bribery takes various forms, such as higher wages for individual workers, improved living conditions for them, cozy jobs in the state administration, war industry enterprises, reactionary trade unions, cooperatives, and other organisations; shares of capitalist companies are sold to them at lower rates, etc. The labour aristocracy is the principal social support of the bourgeoisie and right-wing socialist parties and the salesmen of opportunism and reformism in the working-class movement. As Lenin pointed out, they are "the real agents

of the bourgeoisie in the working-class movement, the labour lieutenants of the capitalist class" (V. I. Lenin, *Collected Works*, Vol. 22, p. 194). Being part of the working class, maintaining links with it and enjoying a measure of influence with the masses, the labour aristocracy poses a serious threat to the revolutionary movement in the capitalist world. The ruling classes of capitalist countries use workers of a bourgeois tint to fracture the unity of the working class, corrupt its consciousness, and weaken its positions. The harmful influence of the labour aristocracy is strongest in the working-class movement of the USA and Britain. The formation of this aristocracy is a feature of capitalism at its highest, imperialist stage of development. With the aggravation of the *general crisis of capitalism*, *collapse of the colonial system of imperialism*, growing class consciousness and organisational strength of the workers, and greater influence of the communist movement the labour aristocracy loses its grip on the masses.

Labour Discipline, strict observance of the necessary work order by every participant in the production process. Labour discipline ensures the harmonious functioning of all production elements, unites people in a single process, and the labour power of individual workers into a combined social *labour power*. Observance of the established work order by every participant, and coordination of the activities of all workers constitute a necessary condition for large-scale mechanised production. The nature of labour discipline and methods used to consolidate it depend, however, on the type of *relations of production*. In societies based on private ownership of the means of production and exploitation of man by man, the discipline is enforced. The socialist *organisation of social labour* is based on conscientious and voluntarily maintained labour discipline, which serves the interests of the working people themselves. Describing socialist labour discipline Lenin indicated that, while feudal organisation of labour was based on discipline enforced

by the cane, and capitalist — on discipline of hunger, "the communist organisation of social labour, the first step towards which is socialism, rests, and will do so more and more as time goes on, on the free and conscious discipline of the working people themselves" (V. I. Lenin, *Collected Works*, Vol. 29, p. 420). Socialist discipline requires a creative attitude towards *labour*, a desire to make it most productive, and master-like care on the part of every worker for increasing the public wealth. It is a major tool for consolidating socialist production. Expansion of the scale of production, improvement of its scientific and technological base and a strengthening of the ties between individual production units make increasing demands on discipline and level of organisation in work. Undisciplined behaviour by a single worker, his failure to honour his obligations with respect to other members of the collective, idling of a machine tool or production line in a highly mechanised process, can be very detrimental to the development of production. Strict labour discipline is a prerequisite for improving the quality of work, and raising production efficiency. Article 60 of the Constitution of the USSR runs: "It is the duty of, and a matter of honour for, every able-bodied citizen of the USSR to work conscientiously in his chosen, socially useful occupation, and strictly to observe labour discipline." The strengthening of labour discipline is integrally linked with observance of planning discipline (see *Discipline, Planning*) and the honouring of commitments by enterprises to deliver certain produce. In socialist society, labour discipline is maintained by moral and material levers (see *Material and Moral Incentives*). The cultivation of a communist attitude towards labour and the development of *socialist emulation* (competition) stand out. In developed socialist society, the role of social measures taken against offenders is increasing; for example, discussion of their misbehaviour by meetings of collectives, social organisations, etc. A significant role in fostering a conscientious discipline is played by work collectives (see *Collective, Work, Production*). Measures of a social

kind are taken against workers who violate labour discipline and neglect their duties; disciplinary action is also taken, such as reprimands, transfer to a lower paid job for up to three months, and dismissal. In appropriate cases, offenders have to make up the material damage done to production.

Labour Incentives, see *Material and Moral Incentives*.

Labour Intensity, intensity of labour determined by the degree to which *labour power* is expended in a unit of time. The dynamics of labour intensity can be measured by the mass of *live labour* (physical and mental) expended during an hour, working day, working week, etc. The shorter the working day, the more labour intensity may grow, and conversely, it may fall as the working day is increased. The growth of labour intensity for a definite period of time equally increases the expenditure of the worker's vital strength and, consequently, the total *value* of what is produced. If the number of items grows accordingly, this means that the value of each of them does not change. Labour intensity grows because of the quicker performance of machines and conveyor belts, the greater amount of equipment serviced at one time, and a decrease in working time losses. Given the modern revolution in science and technology, especially comprehensive mechanisation and automation of production, the expenditure of muscular energy falls sharply, but the expenditure of nervous, mental energy increases. Under capitalism the growth in labour intensity is a means of heightening the exploitation of the workers and of increasing *surplus value*. The excessively high labour intensity at many capitalist enterprises is tantamount to lengthening the working day. The latest methods of labour organisation and sweat-squeezing wage systems are used for the purpose. Some wage increases fall short of the growth of labour intensity, and cannot compensate for the early collapse of labour power. That is why the working class in the capitalist countries is waging a determined struggle against excessive increases in labour intensity. A socially

acceptable labour intensity and normal working day can be achieved only under socialism, which ensures the rational use of the workers' ability to work and the all-round development of their labour power. Shorter working hours are introduced in industries and enterprises where labour intensity is growing. Labour intensity is being brought to the socially normal level at socialist enterprises, which is an important condition for increasing the productivity of social labour. This is also promoted by the technically valid labour rating, its scientific organisation, stricter labour discipline, and higher material and moral incentives for highly productive work.

Labour Intensity of Output, an economic indicator of the level of *labour productivity* measured by the total working time inputs (in rate-hours, man-hours) per unit of output or work. The lower the labour intensity of output, the higher the output rate. Labour intensity helps determine and compare actual labour inputs for various articles. This indicator also makes it possible to determine labour inputs in finished and uncompleted output and to take account of all changes in the range of manufactured goods. Since it is difficult to calculate actual work inputs, time rates per unit of output compared with the degree of their execution are used. Depending on the form of accounting labour inputs, indicators are distinguished for the rated, actual and planned labour intensity. The rated labour intensity of output is the input of working time per unit of output, set according to the time rates in operation. Its magnitude is determined as the sum of time rates according to the production process. The actual labour intensity of output is the actual working time input per unit of output in the given period. It can be established on the basis of the rated labour intensity by dividing the latter by the coefficient of norm processing. The planned labour intensity of output is average planned labour inputs per unit of finished output or for the fulfilment of a certain amount of work. Depending on the worker contingent and

form of payment for their work, there are several kinds of labour intensity: technological (the labour inputs of the main piece-workers engaged in the production process), production (the labour inputs of all the main piece-workers and time-workers), full (the labour inputs of the main and auxiliary workers in the enterprise) and general (the labour inputs of all industrial and production workers). Of late, a new indicator has been used in Soviet planning — the national economic intensity of output. It characterises total inputs of live and embodied labour (in man-hours) per 1,000 roubles of output in the given branch (or for a definite kind of output). The sum of the wages of industrial workers, calculated according to the planned rates, is an indirect indicator of the labour intensity of output. It is determined not only for articles and their components but also for the entire volume of the *gross output* and *commodity output*.

Labour Power, the individual's ability to work, the totality of the individual's physical and spiritual abilities used in material production. The labour power is the basic motive of production in any society. In the production process, man develops his production experience and working habits, as well as influences the environment. In antagonistic class societies the workers are deprived of means of production and exploited. The forms of exploitation depend on the prevailing form of ownership. Under capitalism, labour power becomes a *commodity*. The necessary conditions for the labour power becoming a commodity are: 1) personal freedom to use one's labour power; 2) not owning any *means of production*, as a result of which the worker must sell his ability to work to obtain the means of subsistence. Like any commodity, labour power under capitalism has a *value* and a *use value*. The use value of the labour power as a commodity is the ability of the worker to create in the course of labour a value greater than its own, or *surplus value*, which is the principal objective of the capitalist who sees in this the sole point of purchasing and consuming

labour power. The value of labour power is a sum of the means of subsistence to maintain the normal labour activity of its possessor, the upkeep of the worker's family, and the costs of satisfying the worker's cultural needs such as education and the acquisition of working skills. The value of labour power varies with development of society because the level of requirements, the means needed by the worker and his family and the cost of these means change. The value of labour power varies significantly from country to country since it depends on the level of economic development, national features, historical background, and the natural and climatic conditions. As production develops, the level of the worker's requirements and the value of labour power tend to rise (see *Law of Higher Consumption Standards*). The price of labour power tends to deviate below the cost of labour power, which is explained primarily by the availability of an army of the unemployed which depresses the labour market. By cutting wages (see *Wages under Capitalism*) the capitalists try to reduce the material and cultural needs of the workers to the minimum. However, the struggle of the working class is a factor which counters this trend, especially in the presence of the world socialist system, when workers are winning important concessions from the capitalists, including higher wages. In socialist society labour power is not a commodity; because the means of production are publicly owned, the working people are masters of all the wealth. Relations between individual workers and the socialist state and cooperatives are aimed at the planned and balanced use of labour resources in the interests of all members of society. Socialist production relations create the potential for the comprehensive evolution of the physical and spiritual powers of the working people, and the continuous improvement of their cultural, professional, and material standards.

Labour Productivity, the fruitfulness, effectiveness of *concrete labour*. It is mea-

sured by the *use value* created per unit of time, or the time spent to produce a unit of product of labour. The labour productivity level is the most important indicator of how progressive a given *mode of production* is. Each new social system, Lenin said, emerges victorious over the previous one because it ensures higher labour productivity. Increased labour productivity means the saving of live and materialised labour, i. e., a smaller amount of socially necessary time spent to produce a commodity unit, and a lower prime cost. Furthermore, the proportion of the expenditure of live labour is reduced, while that of past (materialised) labour grows relatively, but to the extent that the total labour expenditure in a commodity decreases. This regularity expresses the decisive significance of technical progress in raising labour productivity. The level and growth rate of social labour productivity depend on many factors, above all the degree to which the *productive forces* are developed. Marx showed that "this productiveness [of labour] is determined by various circumstances, amongst others, by the average amount of skill of the workmen, the state of science, and the degree of its practical application, the social organisation of production, the extent and capabilities of the means of production, and by physical conditions" (*Karl Marx, Capital*, Vol. I, p. 47). These basic factors act differently in different *socio-economic formations*. The anarchy of capitalist production, competitive struggle, *economic crises of over-production*, chronic underutilisation of the production capacities, and mass *unemployment* are among the negative features of capitalist society which explain the low and uneven growth rates of labour productivity and impede its steady increase. Higher labour productivity is used by the capitalists to increase their profits. Under socialism, public ownership of the means of production, planned economic development, the interest of working people in increasing labour productivity and other factors ensure its uninterrupted growth. The steady growth of social labour productivity becomes an economic law of

socialism (see *Law of Steady Growth of Labour Productivity*). The high growth rates of labour productivity are the concentrated expression of the advantages of socialist over capitalist production. In socialist society, higher labour productivity is a key source of increased social production and, on this basis, the people's well-being. It assumes particular importance at the stage of developed socialism. The main factors in raising labour productivity in socialist society are: the systematic introduction of scientific and technological achievements in production; the improved planned organisation of social production expressed in the development of production specialisation, cooperation and integration, and progressive changes in the economic structure through the priority development of pace-setting industries and sectors; the *scientific organisation of labour* at each enterprise; higher *quality of output*, which influences all factors promoting the growth of labour productivity; a workforce with higher knowledge of technology and better skills; higher living standards; development of the various forms of *socialist emulation*, and the mass spread of top-notch, expert experience. The *scientific and technological revolution* gives added importance to science, which is becoming an immediate productive force. It produces radical changes in techniques, technology, and the objects of labour, in workers' qualifications and overall culture. All this has a substantial impact on the effectiveness of labour expenditures, and increases labour productivity. The CPSU policy of raising the *efficiency of social production* relies on the use of the latest achievements in science and technology and rapidly introducing them into production. Labour productivity is an extremely important plan indicator. Beginning with the eleventh five-year plan period (1981-1985), the labour productivity growth has figured in the five-year plans of economic and social development for industrial ministries, associations and enterprises. This indicator is calculated according to the *rated net output* or some other indicator which more precisely reflects labour

expenditure changes in individual industries and sectors.

Labour Time, part of the *time of production* during which the worker directly processes the *object of labour* to obtain a product. In the labour time both *value* and *surplus value* are created. It does not include breaks in the production process and time during which the object of labour is subjected to natural factors such as drying or chemical reactions in which man does not participate. The length of the labour time in working days or hours varies from industry to industry, and depends on the nature of production and the *labour productivity*. In the baking industry, the labour time is measured in hours, while in shipbuilding, it is measured in months if not years. Scientific and technical progress leads to a reduction of the labour time. Because the reduction of the labour time makes it possible to reduce the capital investment in commodity production, the capitalists try to achieve this through higher *labour intensity*, which results in increased *unemployment*. In socialist society the labour time with normal intensity of labour is reduced through planned mechanisation, automation, and chemisation, through better production techniques and labour organisation, through specialisation and cooperation of production, and through the comprehensive use of science and technology. The reduction of the labour time under socialism improves the efficiency of social production, increases the amounts of products, and raises the working people's living standards.

Labour Turnover under Socialism, the non-organised movement of workers from some enterprises to others. The forms of labour turnover include: release of workers changing their jobs on their own wishes, and dismissal for absence from work and for other violations of *labour discipline*. Labour turnover is often due to shortcomings in production and management organisation. In Soviet statistics, the ratio of the number of workers who have left for various reasons to the average number of those on the payroll is the index of labour

turnover. This number does not include workers who have left enterprises in a planned way, in order to enter educational establishments, join the Soviet Army as conscripts, retire or are sacked for some reason. Labour turnover causes difficulties in fulfilling the plan, breaks the rhythm of the production process, reduces the *quality of output*, and increases expenditures on the professional training of new workers. To reduce labour turnover in enterprises measures are elaborated and included into socio-economic development plans for improving the work and living conditions of the workers, raising their general educational and cultural levels, granting them opportunities for combining studies with work, and so on. To use the workforce more effectively and to form stable work collectives, it is planned to grant workers, among other economic incentives, additional leave and pension bonuses for a long, uninterrupted work record.

Law of Correspondence of Relations of Production to the Nature and Level of Development of the Productive Forces, an economic law reflecting the intrinsic causality and dependence between *productive forces* and *relations of production* which constitute two interlinked aspects of the mode of production. "In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production" (Karl Marx, *A Contribution to the Critique of Political Economy*, p. 20). As they develop, the productive forces cause changes in production relations, which, representing a social form of the development of the productive forces, in turn exercise a reverse influence, either accelerating or impeding the development of the productive forces. The nature of this influence depends entirely on whether the given production relations correspond to the nature and level of development of the productive forces. It is on the basis of the law of correspondence of production relations to the nature and level of the productive

forces that one social system transforms into another, this change occurring in the form of a social revolution in societies that are divided into antagonistic classes. "At a certain stage of development," Marx wrote, "the material productive forces of society come into conflict with the existing relations of production or — this merely expresses the same thing in legal terms — with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution" (Karl Marx, *A Contribution to the Critique of Political Economy*, p. 21). In capitalist society, a relative correspondence between production relations and the nature and level of the productive forces existed only in the early stages of its development. As a result of the development of the productive forces and the growing socialisation of capitalist production, production relations ceased to correspond to the nature and level of the development of the productive forces and began fettering their development. This contradiction became particularly acute under the conditions of imperialism, with the beginning of the *general crisis of capitalism*. Socialism opens up boundless vistas for the development of the productive forces. Public ownership of the means of production creates the objective conditions for consciously, in a planned way, eliminating any disparity that might arise between production relations and the productive forces. By organising economic management, the socialist state implements all the processes of society's economic life and makes use of *economic laws*, including the law of correspondence of production relations to the nature and level of development of the productive forces. This correspondence between the two aspects of the *communist mode of production* is becoming increasingly stabilised as society advances towards communism. Especially favourable conditions for the operation of the law of correspondence of production relations to the nature and level of the productive forces come into being at the stage

of *developed socialism*. This finds expression in growing socialisation, concentration and centralisation of production, new organisational forms of management and improvement of the *economic mechanism*. Along with the development of the productive forces, the level of the socialisation of *collective farm-and-cooperative property* in agriculture is also growing, specialisation and concentration of production are developing on the basis of inter-sectoral cooperation through the pooling of the means of state and cooperative enterprises, and large inter-sectoral state-and-collective farm and other associations and enterprises are being formed (see *Integration, Argo-Industrial, under Socialism; Inter-Farm Enterprises, Associations and Organisations in the USSR*). In this way, the conditions are created for the two forms of socialist ownership of the means of production to draw closer together and socialist production relations are becoming more mature. Production relations realise themselves to a growing extent as a social form of development of the productive forces. With the emergence of the world socialist system, the operation of the law of correspondence of production relations to the nature and level of development of the productive forces goes beyond the boundaries of individual national economies. The tendency towards the internationalisation of the productive forces and the increasing similarity in the economic conditions in the socialist countries, as well as the mutually complementary nature of their economies, serve as an objective foundation for this process. Integration processes taking place in the world socialist economic system (see *Integration, Economic Socialist*) provide vast opportunities for making socialist production relations more mature, forming highly efficient national economic structures and elevating the productive forces to the level dictated by the *scientific and technological revolution*.

Law of Distribution According to Work Done, an economic law of socialism, according to which consumer goods are distributed between workers in accordance

with the quantity and quality of the labour expended by each of them in social production. The mode of distribution is determined by the mode of production. Engels wrote on socialist society: "Distribution, in so far as it is governed by purely economic considerations, will be regulated by the interests of production, and ... production is most encouraged by a mode of distribution which allows all members of society to develop, maintain and exercise their capacities with maximum universality" (Engels, *Anti-Dühring*, p. 243). The existing level of development of the productive forces, which does not yet guarantee an abundance of all consumer goods, the nature of labour, which has not yet become the prime vital requirement for every individual, and the need to offer personal material incentives are all factors making it impossible to introduce distribution according to needs at the first stage of communism. It is equally impossible under socialism to distribute material values among the working people on an equal basis, irrespective of the extent of their participation in social production. Wage levelling equalises the people's requirements and hinders the development of their labour activity and abilities. Distribution of consumer goods according to the principle "From each according to his abilities, to each according to his work" accords with the objective conditions of socialism. Every worker gets back from society the exact equivalent of what he has given it, minus deductions for founding the social funds. The socialist state regards controlling the measure of labour and the measure of consumption as one of its central tasks. By making the size of payment dependent on the quantity and quality of labour expended, the socialist mode of distribution encourages every worker to raise the technical level of production, to carry out mechanisation and automation, to introduce progressive technology, and to improve the organisation of production and labour; it ensures the workers' material interest in raising their skills and cultural and technical standards, and promotes stronger labour and technological discipline, a creative attitude to work, a sense of responsibility

for the results of one's own work and that of one's comrades, and collectivist relations in production, in other words, the moral qualities of a new type of man. By ensuring personal and collective material interest of the workers in boosting production and raising its efficiency, distribution according to work done makes it possible to balance the working people's personal and public interests correctly and to satisfy their diverse needs to a fuller extent (see *Material and Moral Incentives*). Payment according to work done is an essential element of the right to work, guaranteed to the citizens of the USSR by the Soviet Constitution. The law of distribution according to work done operates in both the state and the collective farm-and-cooperative sectors of the national economy, though the forms in which it manifests itself differ in relation to the different forms of socialist ownership of the means of production. In state enterprises belonging to society as a whole, goods are distributed through the system of wages and salaries on the basis of work quotas and wage rates that are uniform for the entire state sector (see *Wages under Socialism*). In cooperatives (on collective farms), the income made by a given farm and belonging to a given collective is distributed on the basis of work quotas and payment rates fixed by the collective itself. As the socialist economy develops and the state and collective farm-and-cooperative forms of ownership of the means of production draw closer together, these differences in the way the law of distribution according to work done is implemented are gradually smoothed over. The specific forms of distribution according to work done are determined by the operating *economic mechanism*. A system of measures has been introduced in the Soviet Union to turn the distribution of consumer goods among the workers into an increasingly effective means for raising the *efficiency of social production, labour productivity, the quality of work and products*, lowering the cost of product and attaining top final results in the economy. In this connection, attention is being focused on ensuring a better correspondence between the remuneration of labourers and

the quantity and quality of labour expended by them; improvements are being introduced in the procedure by which the *economic incentives funds* are formed and used; team forms of labour organisation are gaining currency; broader rights are being granted to production, work collectives (see *Collective, Work, Production*) and production teams in evaluating and remunerating their members for work done, taking due account of the actual contribution made by each member to the overall results of the work; the stimulating role of the bonus systems is being enhanced. Distribution according to work done is a basic form of distribution of goods under socialism. Part of the necessary product intended for non-productive (including personal) consumption is distributed under socialism through the *social consumption funds*. Under complete communism, when the productive forces provide an abundance of material wealth, and labour for the sake of society becomes the prime vital need of every man, the law of distribution according to work done will be replaced by the principle "From each according to his abilities, to each according to his needs" (see *Communist Mode of Production*).

Law of Higher Consumption Standards, one of the general economic laws, reflecting the cause and effect relationship between the development of social production, on the one hand, and the quantitative growth and qualitative progress of the consumption of society. As the productive forces of society develop new requirements emerge, the old ones undergo change and some of them disappear. The range of requirements widens, they become richer in content, and intellectual and social requirements begin accounting for an ever larger portion in their overall volume. Considerable shifts in the level of mass consumption are seen especially clearly when long periods are analysed. Scientific and technical progress has greatly accelerated this process, shortening the period of transition from one qualitative level of consumption to another. The way in which

the law operates is determined by the social system and dominant *relations of production*. This primarily has to do with the social conditions under which man's abilities to work develop and which are both the result of and a prerequisite for meeting numerous other needs. Under capitalism, the application of new technology and the introduction of scientific achievements into production engender a need to raise the general educational and vocational training level of the working class. By its very nature, however, the capitalist system makes it impossible to use the opportunities offered by developing science and technology in the interests of elevating the worker. The working people are prevented from taking part in managing production. Monopoly capital blocks their access to the genuine treasures of human civilisation and tries to usurp their free time and to impose upon them the moral values of bourgeois society and "mass culture" standards that aim at inculcating base ideals rather than at elevating man's intellectual needs. The development of the productive forces of modern capitalist society boosted the production of consumer goods considerably, placing them increasingly within the reach of the working people. Nevertheless, sharp contrasts persist in the forms and level of consumption by different social groups. In socialist society, the law of higher consumption standards has ample scope to operate. Especially broad prerequisites for implementing it are created by mature socialism, under which the possibilities to meet the people's requirements increase and the requirements themselves also mature. "Concrete concern for concrete person, for his needs and requirements," the 26th CPSU Congress pointed out, "is the alpha and omega of the Party's economic policy" (*Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union, Moscow, 1981, p. 63*). Real per capita incomes double in the USSR approximately every 15 years, in other words, in one generation socialist society passes over several times to a qualitatively new level of consumption. Socialism has made socially useful work one of its primary values. Labour is a source

for meeting the loftiest requirements of the members of socialist society and for developing and elevating their personalities. Work is becoming increasingly creative and the share of unskilled, hard manual work is being cut in every possible way. An important characteristic of the higher requirements of the members of developed socialist society consists in the fact that the share of intellectual values in consumption is systematically rising and people are becoming ever more conscious and ideologically mature. Profound interest in the affairs of society and active participation in running them are becoming more and more characteristic of the life of a growing number of people. Socialist society has no classes or social groups that would be interested in satisfying their requirements at other people's expense. This is why all members of society benefit from growing social production and its greater effectiveness. Another characteristic feature of this law under socialism is the gradual social and economic drawing together of the structure of the requirements of different social groups. This is put into effect by bridging the gap in the socio-economic position of people engaged in production and other fields of social life. The implementation of the social policy of the communist parties is further evening out the socio-economic living conditions of the urban population and of rural residents, of the working class, peasants united in cooperatives (collective farmers) and intellectuals, and creating equal opportunities for the development of the physical and intellectual abilities of every man and every social group. The operation of the law under mature socialism is an important stage in shaping the requirements characteristic of the harmoniously developed member of communist society.

Law of Money Circulation, an economic law determining the amount of money necessary for circulation. The amount of money in circulation depends, above all, on 1) the bulk of commodities in circulation, 2) the level of commodity prices and 3) the rate of money circulation. The total amount of money is the sum total of com-

modity prices divided by the velocity of the circulation of the corresponding monetary units. Money functions not only as a medium of circulation, but also as a means of payment. For this reason, the sum total of money in circulation at a given velocity of circulation is equivalent to the sum total of the prices of commodities sold, minus the sum total of prices of commodities sold on credit, plus the sum total of payments due to be made, minus the sum total of mutually settled payments, all divided by the number of circuits of the corresponding monetary units. Under capitalism, the amount of money circulation is determined spontaneously. Under the conditions of metal coin currency and free exchange of paper money for gold, as was the case before World War I, money circulation was automatically adjusted to the demand for it. Excess money went to the hoard, and additional money was taken out when needed. At present the capitalist countries circulate paper money and token coins for small-scale turnover. The growing instability of the capitalist economy during the *general crisis of capitalism*, the militarisation of the economy and the issue of paper money in enormous amounts to finance military spending result in a flooding of circulation channels with excess paper money and its depreciation, that is to say, in *inflation*. Socialist society uses the law of money circulation, just as the other economic laws of socialism, on a planned basis. This is manifested in the fact that the total commodity turnover and the level of commodity prices are fixed in a planned way (with the exception of collective farm market trade). Planned money circulation is of paramount importance in maintaining the necessary proportions between the amount of money received by the population and the bulk of commodities and services sold. The socialist economy makes wide use of clearing in realising almost the entire bulk of the means of production and the wholesale trade in consumer goods, which reduces the need for cash. This not only makes money circulation more economical, but also facilitates the planning of the issue of money.

Law of Planned, Balanced Develop-

ment of the Economy, an economic law of socialism reflecting the objective need to run the entire national economy as an integral whole, in a concerted way, by consciously maintaining a balance between the different types of production in keeping with social requirements. Dominant socialist ownership of the means of production constitutes an objective condition for the possibility and need for society to maintain a constant balance in the economy, first and foremost a correspondence between the structure of the aggregate *labour power*, the *means of production*, the social product created and the structure of the developing social requirements. During every given period, socialist society takes account of personal and production requirements, determines the possible extent to which they can be met on the basis of the production resources available, consciously and consistently maintains a balance in the distribution of the means of production and social labour between sectors, regions and enterprises. Aggregate labour time is distributed in this way on a planned basis. *Scientific and technical progress* and the dynamically growing and changing material and cultural requirements of the members of society demand that this proportion be improved and modified. This leads to a more rational utilisation of live and embodied labour in creating the *aggregate social product* and to a systematic rise in the *efficiency of social production*. There are general economic, inter-sectoral, intra-sectoral, intra-production, territorial and also inter-state proportions taking shape in the economy (see *Proportions of Social Production*). The fact that society makes conscious use of the law of planned, balanced development of the economy graphically illustrates the active role the socialist state plays in the economy (see *Economic Role of the Socialist State*). The state elaborates economic development programmes for a more or less extended period, proceeding from the Party guidelines, and evolves a long-term economic strategy, which is embodied in the long-term economic development plans

(see *Long-Term Planning*). In performing its economic functions, the socialist state acts as a "regulator (determining factor) in the distribution of products and the allotment of labour among the members of society" (V. I. Lenin, *Collected Works*, Vol. 25, p. 472). The international socialist division of labour (see *Division of Labour, Socialist International*) and the international economic integration of the CMEA member states (see *Integration, Economic Socialist*) create the conditions necessary for the operation of the law of planned, balanced development worldwide.

Law of Population under Capitalism, an economic law expressing the relationship between the accumulation of capital and the growth of its organic structure, on the one hand, and the appearance of relatively surplus population compared with the requirements of functioning capital (see *Relative Surplus Population*), and the formation of an industrial reserve army of labour, on the other. "The labouring population therefore produces, along with the accumulation of capital produced by it, the means by which it itself is made relatively superfluous, is turned into a relative surplus-population; and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production" (Karl Marx, *Capital*, Vol. I, pp. 591-92). Surplus population and, as a consequence, *unemployment* are produced by capitalist relations of production. Under capitalism, unemployment is an inevitable and indispensable condition for its development. Bourgeois ideologists and reformists assert that the existence of surplus population is a law of nature and suggest that this "surplus" population should be "eliminated" in various ways to avoid poverty (see *Malthusianism*). In reality, only elimination of capitalism can put an end to unemployment and poverty.

Law of Population under Socialism, an economic law reflecting the relationship between growing public wealth, on the one

hand, and the full employment and rational utilisation of the entire able-bodied population in social production and the steady rise of the material and cultural standards of the mass of the people, on the other. The socialist law of population is inseparably linked with public ownership of the means of production and with the subordination of production to the interests of society as a whole. Growing public wealth under socialism steadily raises the well-being of all members of society, expands the possibilities for drawing the population into social production and ensures its more effective utilisation. Under socialism, society guarantees all its able-bodied members work in accordance with their abilities, educational level and vocational training, due account being taken of social needs. The constant and planned utilisation of a certain part of the surplus product for the needs of accumulation leads to further extended reproduction, which makes it possible to increase the extent to which the people's growing requirements are met and to ensure the growth of manpower resources in the country's economy. The rational utilisation of the population presupposes a correct and economically justified redistribution of labour force between enterprises, sectors and economic regions. Technical progress, the comprehensive mechanisation and automation of production facilitate and radically transform the work of millions of people, raise its productivity and create the conditions for cutting the length of the working day and for eliminating the essential distinctions between mental and physical labour. Rising labour productivity in material production brings about structural changes in the distribution of the labour force between the economic sectors and the productive and non-productive spheres (see *Non-Production Sphere; Production Sphere*). Socialist expanded reproduction (see *Reproduction, Socialist*) ensures the planned training and retraining of personnel. The state shows constant concern for the harmonious physical and intellectual development of the workers, the mother and child care, raising a healthy younger generation and creating

favourable conditions for natural population growth. In this way it creates the most beneficial conditions for expanded reproduction of the workers, the key productive force.

Law of Socialist Accumulation, an economic law reflecting, under socialism, the direct link between an increase in accumulation, growing social labour productivity, production and public wealth, on the one hand, and a rise in the working people's living standards, on the other. The bigger the public wealth and its rate of growth, the better the needs of the members of society are satisfied, the higher their living standards, and the more their harmonious development is ensured. Socialist society makes regular use of a certain portion of its *national income* continually to extend and improve social production and, on this basis, steadily raises the living standards of its members and ensures full employment of the able-bodied population. In this way, socialist accumulation differs fundamentally from accumulation under capitalism (see *Accumulation of Capital*) in its socio-economic nature, goals and the way it is utilised. The scale of accumulation depends directly on the rate of accumulation, i. e., on the ratio of the *accumulation fund* to the entire national income in percentage terms. As the accumulation fund forms part of the national income, its growth depends on factors that determine the growth of the national income i. e., the mass of labour expended and its productivity. Public ownership of the means of production and planned development of the socialist economy broaden immeasurably the opportunities for accumulation. The size of the accumulated means of production is growing steadily and their technical level is improving under *developed socialism*. As a result, labour productivity is rising and the depreciation fund (see *Depreciation*) is also growing, part of it being used on a planned basis to extend production. Renewed production assets are more efficient than depreciated ones and provide

greater output and national income for similar labour inputs. The scale of accumulation also depends on thrifty use of raw and other materials and power in production. Smaller unit material inputs make it possible to produce more and to expand the scale of accumulation. Growing socialist accumulation objectively ensures both a larger scale of *capital investment under socialism*, used to increase and technologically renew the implements and means of labour, and a rise in their efficiency. The growing efficiency of accumulation makes it possible to extend the scale of social production without increasing capital investment and, hence, to broaden the opportunities for popular consumption and to satisfy the material and cultural needs of the members of society more fully.

Law of Steady Growth of Labour Productivity, an economic law of socialism and communism reflecting the objective need for and possibility of constantly reducing the labour time socially necessary to produce a unit of output. Dominant socialist property provides for a steady growth of labour productivity. The higher the productivity of social labour, the bigger the aggregate social product, the fuller the extent to which the well-being and all-round development of the members of society are ensured. In their totality, these cause and effect relations constitute the law of steady growth of labour productivity. The reduction of labour time input in production is characteristic of all *socio-economic formations*. Steady growth of labour productivity is associated only with socialist (communist) society, however. Under capitalism, in which production aims to produce and appropriate *surplus value*, the growth of labour productivity is neither absolute nor steady. Though it does reflect the development of the *productive forces* and the growth of the technical composition of capital, growing labour productivity under capitalism is geared to increasing surplus value and results in enhanced exploitation of the working people. Growth of labour productivity is restricted there by the narrow boundaries

for extending production, the lack of interest among the working people in the overall results of their labour, the controversial nature of technical progress and the anarchy of social production. Under socialism, labour productivity rises steadily and more rapidly than in the capitalist countries. "Communism is the higher productivity of labour — compared with that existing under capitalism — of voluntary, class-conscious and united workers employing advanced techniques" (V. I. Lenin, *Collected Works*, Vol. 29, p. 427). Dominant public ownership of the means of production and radical changes in the nature of labour make the workers directly interested in production results. Planned economic development rids socialist society of crises, unemployment and the squandering of productive forces, and enables it to work towards saving social labour. The steady rise in labour productivity is directly connected with the socialist principle of distribution according to work. The amount of remuneration for work done by every individual worker depends directly on his contribution to social production. At the present stage in the building of communism in the USSR, when the qualitative factors of economic growth — greater efficiency of social production and intensification of the national economy — have assumed decisive importance, the role of steadily rising labour productivity is growing immeasurably. *Scientific and technical progress and utilisation of the achievements of the scientific and technological revolution* are of paramount importance in attaining a higher level of labour productivity.

Law of the Priority Growth of the Production of Means of Production, an economic law of expanded social *reproduction* on the basis of machine technology objectively requiring priority development of the production of *means of production* rather than the production of *consumer goods*. This law, discovered by Marx in relation to capitalist expanded reproduction, was further theoretically substantiated and expounded in Lenin's works. Analysing the process of expanded reproduction under the

conditions of technical progress, Lenin showed that not only did Department I as a whole develop more rapidly than Department II, but also that, within Department I, priority growth was observed in the production of means of production for Department I, with the production of means of production for Department II as a whole coming second and Department II developing at a slower rate. The need for the priority growth of the production of means of production is explained by the fact that, to ensure the expansion of production and the growth of the aggregate social product, including consumer goods, it is first of all necessary to produce implements and objects of labour, that is to say, means of production. "To expand production (to 'accumulate' in the categorical meaning of the term) it is first of all necessary to produce means of production," Lenin wrote, "and for this it is consequently necessary to expand that department of social production which manufactures means of production" (V. I. Lenin, *Collected Works*, Vol. 2, p. 155). Priority development of the production of means of production ensures progressive changes in the structure of the economy, accelerates technological development and serves as the groundwork for the growth of social labour productivity. Under capitalism, the operation of this law sharpens the contradictions between production and consumption. In the final analysis, the limited bounds of the working people's consumption also check the growth of the production of means of production. The cyclical nature of capitalist production causes the growing production of Department I during a boom to be followed by sharp cuts during a crisis. Under socialism, the law of the priority growth of the production of means of production is used by society on a planned basis to ensure the continual growth of the social product. Priority growth of the production of means of production serves as the base for strengthening the economic might of the country and steadily raising the well-being of the people. The growth rates of the production of means of production and those of

the production of consumer goods are correlated, due account being taken of the specific historical conditions and the economic tasks tackled in the given period. Consequently, this balance between the two Departments of social production is not something constant or unchanging. At present the *scientific and technological revolution* is responsible for structural shifts within each Department of social production and in their interrelations. The more progressive industries, such as radio electronics, instrument-making, computer technology production and so on, are gaining prominence. The share of synthetic materials among the objects of labour is growing. The production of durables for personal consumption and quality products is developing faster than any other production within Department II. The rising asset-worker ratio results in an increase in the share of means of production and hence necessitates a speed-up in the growth of Department I. At the same time, an opposite tendency is also at work — the growing potential of heavy industry, better quality of modern means of labour and the rising efficiency of socialist accumulation make it possible to reduce the gap between the growth rates of the two Departments. It should also be borne in mind that scientific and technical progress accounts for the fact that the means of production are becoming ever more economical and that their *value* is dropping, which makes it possible to produce the same amount of means of production with smaller labour and capital inputs. As some materials are replaced by other, more progressive ones, production becomes less material intensive (see *Material Intensity*). In this way, the high scientific and technological potential of developed socialist society makes it possible to bring the growth rates of the two Departments of social production somewhat closer together. This, in turn, forcefully illustrates the radical economic shift towards meeting the material and cultural needs of the people more and more fully. Nevertheless, this in no way refutes the general law of the priority growth of the production of means of production.

Law of the Tendency of the Rate of Profit to Fall, an objective economic law of capitalism, according to which, as capitalist production develops, a tendency appears for the *average (general) rate of profit* to fall. This is explained by the fact that several conflicting factors affect average profit simultaneously. On the one hand, the rise in the *organic composition of capital* and slowing-down of the *turnover of capital* cause the *rate of profit* to fall. On the other hand, some factors hinder and at times totally block the fall of the general rate of profit. Factors counteracting the fall of the rate of profit include a higher degree of exploitation of the workers, a drop in wages below the value of the labour power, the cheapening of the elements of *constant capital*, which holds back the rise of the organic composition of capital, and developing *foreign trade*, which makes it possible to reduce the cost of both the elements of constant capital and the means of subsistence embodying *variable capital*. Another important factor arresting the fall of the rate of profit is the formation of *joint-stock companies* and, under present-day circumstances, the sway of monopoly capital, which maintains the rate of profit at a high level with the help of *monopoly price*. As a result, the rate of profit does not fall in proportion to the rise of the organic composition of capital, and sometimes there is no fall at all. The fall of the rate of profit is a trend clearly manifested only under certain circumstances and over long periods of time. The operation of the law of the tendency of the rate of profit to fall leads to a further sharpening of the contradictions of capitalism. In a bid to compensate for the fall of the rate of profit by increasing its mass, capitalists step up the exploitation of the proletariat, thereby lowering the people's effective demand and extending production output far beyond its limits. This breeds *economic crises of overproduction* and exacerbates antagonistic contradictions between the proletariat and the bourgeoisie. Contention is also sharpening within the class of capitalists for the distribution of the total mass of profit. In an

attempt to raise the rate of profit, capitalists invest in the economically less developed countries, where the level of mechanisation is much lower and the organic composition of capital is also lower, so the rate of profit is higher than in the developed capitalist countries. Profit made in this case is brought to the developed countries and helps to raise the average (general) rate of profit there. All this sharpens the contradictions between the exploited economically less developed countries, and the industrially developed capitalist ones. In this way, the given law reflects the intrinsic contradictoriness of the *capitalist mode of production*.

Law of the Uneven Economic and Political Development of Capitalism in the Age of Imperialism, an objective law, discovered by Lenin, according to which the economic and political development of the capitalist countries under imperialism proceeds by leaps, resulting in a periodic redivision of the already divided world, a general sharpening of the rivalry between the imperialist countries and the possible victory of socialism initially in a few countries or even in one capitalist country alone. As the *general crisis of capitalism* progresses, the uneven development of capitalism is becoming more pronounced. Owing to capitalist private property, the pursuit of profit and the *anarchy of production*, capitalism develops unevenly at all its stages. With the transition to imperialism, however, this unevenness becomes spasmodic because of the sharply accelerated concentration and centralisation of production and capital, the sway of monopoly capital and major shifts in the development of science and technology, enabling some capitalist countries rapidly to outstrip other countries. The *export of capital*, which strengthens the positions of the monopoly groups of some countries to the detriment of others, is also of importance in this respect. As a result of uneven economic development, the leading imperialist countries insist on re-carving the already divided capitalist world in keeping with the new alignment

of forces. This gives rise to growing contradictions between the imperialist countries and to the rival imperialist groups resorting to military methods, which caused the First and Second world wars. Analysis of the operation of this law enabled Lenin to draw the historic conclusion concerning the possibility of socialism triumphing first in a few countries, or even in one capitalist country alone. The imperialist system breaks at one of its weakest links. It was tsarist Russia that, in 1917, proved to be such a link, and the centre of the economic, political, social and national contradictions of imperialism. The Great October Socialist Revolution gave birth to the USSR, the world's first socialist state, and triggered the general crisis of capitalism. Following World War II, several European and Asian countries split off from imperialism, choosing the socialist road of development, and the *colonial system of imperialism* collapsed. The world socialist system was formed, and a real possibility emerged for the forces of peace and socialism to avert worldwide armed conflicts. The forms in which contradictions between the imperialist powers are manifested have also changed. The contradictions between the imperialist countries are sharpening, and the struggle for markets and sources of raw materials and power is becoming fiercer. Japanese and West European monopolies are competing ever more successfully with American capital, including on the US home market. The sharpening contradictions between the main centres of modern capitalism — the USA, Western Europe and Japan — breed disagreement within the military-political blocs, primarily NATO, and also within integrated economic groups, first and foremost the Common Market. Contradictions are also growing between the developed capitalist and developing countries. The greater might of the international monopolies has made competition even more ruthless. The capitalist governments are making successive efforts to smooth over these contradictions and agree upon joint measures to overcome the crisis. The nature of imperialism is such, however, that

everyone seeks to gain advantages at the expense of the others and to impose its will on them. Disagreement manifests itself in new forms and contradictions flare up with renewed force.

Law of Value, an economic law of commodity production, in accordance with which commodities are produced and exchanged in correspondence with the quantity of socially necessary labour expended on making them. The law of value is manifested as the law of prices. *Price* is an expression of *value* in the form of money, an expression of the socially necessary expenditure of labour on producing commodities. "In accordance with the law of value operating when commodities are exchanged, equivalents, *equal amounts* of materialised labour are exchanged" (*Marx/Engels Archives*, Vol. 2[7], p. 69). During equivalent exchange, embodied and live labour is recouped, conditions are created for extended production and incentives appear to cut individual outlays and to save labour. When exchange is no longer equivalent, commodity producers are deprived of the possibility of recouping their outlays and lose interest in improving and developing production. Given private ownership of the means of production, the law of value acts as a spontaneous regulator of production. Spontaneous fluctuations of prices around their values make commodity producers expand or cut the production of certain commodities and penetrate industries where demand makes prices higher than commodity values. This results in a spontaneous redistribution of labour and means of production between different economic sectors. Commodity producers seek to lower the individual costs of their commodities, but far from everyone succeeds in this in the conditions of competition. Those who fail to recoup their expenditures when selling their commodities are ruined. Conversely, those who utilise improved technology and in this way cut labour inputs, become richer. This is how the economic basis originates for the class differentiation of commodity producers. In this way, on the

basis of the law of value, the prerequisites emerge for *simple commodity production* to turn into capitalist production. In developed capitalist production, the law of value is manifested in the form of the *price of production* and, under imperialism, in the form of *monopoly prices*. Under socialism, when public ownership of the means of production dominates, the law of value expresses socialist production relations between people, operates within the system of and in conjunction with the *economic laws* of socialist society, and is used to manage production on a planned basis. It is not a spontaneous regulator of production; it plays a role fundamentally different from that under capitalism. This finds expression in the specifics of price-formation: first, prices are fixed by the state on a planned basis; second, they not only reflect the proportions that have taken shape as a result, but actively affect the formation of new ones; third, not only the law of value affects the formation of prices, but also other economic laws, first and foremost the basic economic law of socialism. This means that a change in the socially necessary labour inputs does not automatically entail prices fluctuations. The operation of the law of value in a socialist economy is manifested in the need to take account of labour inputs in terms of value. By orienting its enterprises to produce goods in accordance with socially necessary labour inputs, society encourages them to lower the individual value of commodities and to promote an all-out saving of work time. *Cost accounting* is a key method for using the law of value on a planned basis to reduce social production expenditures. The law of value is used not only within every socialist country, but also in the relations between them, ensuring equivalent exchange and mutually advantageous economic cooperation. Party resolutions outline measures to improve the system of prices further, enhance their stimulating effect on technological progress and to raise the efficiency of social production. One essential function of price, which consists in taking account of social labour and stems

from the requirements of the law of value, is gaining in strength under contemporary conditions. In the future, when it is no longer necessary to produce goods as commodities or to exchange them and when social labour is estimated in terms of work time only, the law of value will cease to operate.

Law of Variation of Labour, an objective need for the labour functions of the worker to correspond to the level of development of the technical base of social production. The prerequisites for variation of labour are caused by the development of production based on the use of machinery. Marx wrote that large-scale industry "is continually causing changes not only in the technical basis of production, but also in the functions of the labourer, and in the social combinations of the labour-process. At the same time, it thereby also revolutionises the division of labour within the society, and incessantly launches masses of capital and of workpeople from one branch of production to another. But ... Modern Industry, by its very nature, therefore necessitates variation of labour, fluency of function, universal mobility of the labourer" (Karl Marx, *Capital*, Vol. I, p. 457). Capitalist relations of production turn the worker into an appendage of the machine and determine his one-sided development. The anarchy of social production characteristic of capitalism constantly upsets the correspondence between the functions of the labourer and the implements of production used; changes in the technical base of production caused by the development of science and technology are not accompanied by the appearance of social conditions ensuring that worker is trained in keeping with the changing requirements of production. This contradiction becomes especially acute against the background of the *scientific and technological revolution*, which aggravates this lack of correspondence between the functions of the workers and the continuously changing technical base of capitalist production. Social barriers to variation of labour are eliminated once public

ownership of the means of production is established. Socialist society systematically analyses the interrelationships between the production functions of workers and changes in the technical base of production and trains skilled workers and experts in good time. The right to work, as declared by the Constitution of the USSR, includes the right to choose one's trade or profession, type of job and work in accordance with one's inclinations, abilities, training and education, due account being taken of the needs of society (see *Labour*). Under mature socialism, when changes take place in the structure of the *productive forces* under the impact of the scientific and technological revolution, socialist *relations of production* constitute an objective foundation for expanding the field of variation of labour. The forms in which the law of variation of labour is manifest are gaining increasingly in importance. These include improvement of skills, the mastering of new jobs, alternation of different types of work, doing more than one job, the release and retraining of workers, the redistribution of the labour force between enterprises, economic sectors, etc. Variation of labour and the related comprehensive development of labourers lead to a rise in the productive potential of social labour in the interests of society and every one of its members.

Lenin, Vladimir Ilyich (April 22, 1870-January 21, 1924), one of the greatest of the proletarian revolutionaries, an outstanding thinker, founder of the Communist Party of the Soviet Union and the Soviet state, and leader and educator of all working people of the world. He began his political and theoretical revolutionary activity at the turn of the century, when the transition to the new, imperialist stage in the development of capitalism was nearing completion and when the world revolutionary movement, which then had its centre in Russia, was confronted by complex new political and theoretical tasks. Lenin's works had a decisive influence on how these tasks were resolved. In the struggle against the various currents in bour-

geois and opportunist ideology, Lenin upheld the revolutionary content of Marxism, summarised the new experience gained during the class struggle, and enriched political economy and the other basic components of Marxism, putting it on a new and higher level, which marked the beginning of the Leninist stage in the development of Marxism. Political economy was a special theme in Lenin's early works of the 1890s, when the question of "the destiny of capitalism in Russia" became the focus of the Russian Marxists' struggle against the liberal Narodniks and "legal Marxists". Lenin's major works, such as "The Development of Capitalism in Russia", "The Economic Content of Narodism and the Criticism of It in Mr. Struve's Book", "A Characterisation of Economic Romanticism", etc. furnished a detailed Marxist analysis of the development of capitalism in Russia. He refuted the liberal Narodniks' concept of the country's "peculiar" road of development. Lenin demonstrated that the coming revolution would be a bourgeois revolution, that the proletariat would be its hegemon, and that the proletariat could and must unite with the peasantry. Not only did Lenin thus brilliantly apply the theoretical formulations of Marx's *Capital* to reality — and in doing so confirm their validity — but he also enriched and developed the method and the main ideas of his work. Lenin said that a Marxist approach had to be taken to the historical nature and content of political economy; he criticised the methodology of petty-bourgeois subjectivism and bourgeois objectivism, introduced the principle of a politically committed approach to science, gave concrete expression to the Marxist theory of material social relations, of the essence of the social and economic formation, of the relationship between base and superstructure, of the specific nature of the economic laws governing social development, etc. His contribution to the development of the Marxist theory of capitalist reproduction and crises is of special importance. In polemics with the liberal Narodniks and "legal Marxists", Lenin revealed the genuine significance of the theory of capitalist re-

production, substantiated its initial methodological premises, and developed Marx's ideas on the laws of the emergence and development of the domestic and external markets under capitalism. Lenin elaborated Marx's ideas by studying the laws of capitalist reproduction under the existing conditions of technological progress, evolved the law of the priority growth of production of the means of production, and revealed the correlation between production and personal consumption under capitalism. He demonstrated that one-sided attempts to explain capitalist overproduction crises by inadequate mass consumption were totally fallacious and developed Marx's and Engels' tenets of the decisive role of the basic contradiction of capitalism as one of the principal reasons for crises and their inevitability, as well as their significance in the process of capitalist reproduction. In the early 20th century, when the agrarian question was the key economic question of the first Russian revolution and when the revisionists everywhere challenged Marx's economic theory, Lenin produced several important works in which he consistently defended and further developed Marx's agrarian theory, analysed agrarian relations in Russia, and laid the foundation for the Bolsheviks' agrarian programme; among them are "The Agrarian Question and the 'Critics of Marx'", "The Agrarian Programme of Social-Democracy in the First Russian Revolution, 1905-1907", and "New Data on the Laws Governing the Development of Capitalism in Agriculture"). The thrust of these works was directed against bourgeois-revisionist concepts about the "non-capitalist evolution of agriculture" and the "stability" of small-scale peasant holdings in bourgeois society. Lenin revealed the methodological errors and theoretical incorrectness of these concepts, to which he opposed a scientific method of analysing agrarian relations. Proceeding from the ideas of Marx, he outlined the laws and forms of capitalist development in agriculture and evolved the theory of the two types of bourgeois agrarian evolution. Lenin indicated the similarities between the economic evolution of industrial production and agricul-

ture, revealing the specific features of this process in agriculture, and theoretically substantiated Marx's tenets of the socio-economic roots of revolution in the countryside. Lenin's works also examined and summed up Marxist reasoning in respect to the so-called law of diminishing returns, which the revisionists attempted to use to refute Marx's theory of ground (land) rent. Lenin's defence and further development of this theory is a great scientific achievement. Lenin criticised the Socialist-Revolutionary and Menshevik agrarian programmes, outlined the Bolshevik programme for the nationalisation of land, and revealed its significance in furthering bourgeois progress which, in turn, would promote the development of a bourgeois-democratic revolution into a socialist revolution on the basis of his tenets on two monopolies in capitalist agriculture. These tenets concretised Marx's ideas on the nature of land rent and the reasons for, conditions and sources of the appearance of its various forms, as well as on the existing capitalist barriers to the rational organisation of agriculture. Lenin's theory of imperialism, which crowned his 20-odd years of study of the economic evolution of modern capitalism, is an important contribution to the Marxist political economy of capitalism. In his "Imperialism, the Highest Stage of Capitalism", "On the Slogan for a United States of Europe", "The Collapse of the Second International" and other works, Lenin summarised the fifty years of capitalist evolution since the publication of Volume I of Marx's *Capital*. Proceeding from Marx's theory and method, Lenin revealed that new phenomena occurring in the development of the capitalist economy, politics and ideology marked the evolution of capitalism to its very specific, highest and last stage of development: imperialism. Lenin provided the first genuinely Marxist analysis of the economic and political essence and place in history of imperialism as a monopolistic, parasitic or decaying and moribund stage of capitalism, i. e., the eve of a socialist revolution. Lenin traced and scientifically generalised the unfolding concentration, centralisation and monopolisation of capitalist production during

World War I and laid the foundation for the theory of state-monopoly capitalism as the highest stage of imperialism, characterised by the coalescence of the power of the monopolies with state power into a single machine of the supremacy of the financial oligarchy over society. He demonstrated that the all-encompassing progress of the socialisation of labour which accompanies this coalescence signifies completion of the material base of socialism. Lenin also stressed that imperialism in the state-monopoly form does not eliminate the basic trends and contradictions of capitalism, such as the exploitation of hired labour, exchange, competition, anarchy, crises, etc.; on the contrary, it only complicates and accentuates these contradictions "confusing" the opposing principles of monopoly concentration and unfettered competition, and thus bringing social revolution closer. His scientific analysis of imperialism provided solid guidelines for correctly dealing with the key problems of war and peace and of the international workers' movement, for understanding the nature of the motive forces and prospect of a world social revolution, the possibility of bringing together, within a single anti-imperialist movement, proletarian revolutions, national liberation and other democratic movements, and also for revealing the economic roots and the reactionary role of opportunism. Lenin concluded from his study of the uneven economic and political development of capitalism under imperialism that socialism could initially triumph in several or even in one country. This became the cornerstone of his concept of the general crisis of capitalism and its disintegration and collapse as a social system. One of Lenin's most outstanding achievements was to set forth the fundamentals of the political economy of socialism. In *The State and Revolution* and in other works, he waged a struggle against Kautskyism and Trotskyism, "left-wing communism" and anarchosyndicalism. He armed the proletariat with a profound theory on the transition period from capitalism to socialism, and on its necessity, content and historical role. Lenin elaborated Marx's and Engels' idea

that the bourgeois state machine had to be smashed and replaced by a state of the dictatorship of the proletariat, revealing its class essence and major tasks, and the decisive significance of the dictatorship of the proletariat as an organiser of the economy. He highlighted the leading role of the Communist Party in the political rule of the proletariat. Lenin was the first to study the question of the essence and contradictions of the economic system during the transition period from capitalism to socialism, and the corresponding structure of society. He drew up the economic programme for the socialist revolution, he gave an outline of the basic principles and trends of the economic policy of a proletarian state, and specified the role of a planned economy in carrying out this policy; he posed and elaborated questions of the necessity and possibility to use commodity-money relations in the process of building socialism, and devised a concrete plan for building socialism in the USSR. He further developed Marx's and Engels' ideas and showed that economically backward countries could move forward to socialism without having to first go through the capitalist stage of development. Lenin extensively developed the theory of socialism and communism of Marx and Engels. He analysed socialism's property relations, class structure and objectives, dealing with a wide range of problems pertaining to the socialist organisation of social labour and the principles, methods and forms of a socialist economy. Lenin concretised the Marxist concept of equality under socialism, indicated the necessity for using material incentives along with moral stimuli in the work process, and substantiated the Marxist principle of distribution according to work done and the necessity for instituting this principle in the form of wages. Lenin thoroughly expounded the economic role of the socialist state, its inevitable existence up to the highest phase of communism, and grounded the need for a systematic organisation of social production on the principles of democratic centralism, cost accounting and personal responsibility. Lenin also elaborated Marx's and Engels' ideas on

the nature and conditions of the transition from socialism to communism, and put forward and substantiated the tenet on the stages of socialist development. What he had to say about the international significance of the Soviet experience in building socialism is especially important. Basing on these ideas, he created his concept of the correlation of the common and the specific in the process of the transition of different countries to socialism and communism. The CPSU and the fraternal communist parties proceed from Lenin's economic ideas, which have proved their correctness over time, in their struggle for the triumph of communism around the world.

Licence, 1) a permission granted by government bodies to carry out certain economic activity. Under state-monopoly capitalism this can be a form of the direct state interference in certain economic spheres to further the interests of monopolies. The authorisation of licences for building new enterprises is a way by which many capitalist countries try to regulate the territorial distribution of production. Licensing is also a way of regulating foreign trade, as it implies permission granted by the state to individuals or companies to import or export goods. 2) Licence, permission to use patented invention, technology, expertise, trade mark, etc., by other individuals or establishments. Granting a licence is a business transaction regulated by a licence agreement stipulating the terms, rights and duties of the seller of the licence (licenser) and the buyer (licensee). The rapid growth of the trade in licences both within a given country and on the world market is a result of the increasing role of the scientific and technological know-how in developing production under the scientific and technological revolution. The sale of a licence is an extremely profitable economic operation, as it provides profits without the necessity of incurring additional costs. Profits that companies make by selling licences cover much of the cost of scientific and technological research. Companies often sell licences for the fruits of their research which cannot be used in

the particular industry they are involved in. Selling a licence not only produces direct profits, but is, in current conditions, an important weapon in the struggle for markets, since those who purchase the licence are often committed to buying machine parts or raw materials from the licenser. Through sales of licences monopolies gradually establish control over other firms both at home and abroad. Licence operations also result in large savings for those who purchase them for in many cases it is less expensive to buy a licence than to bear research costs. The industrially developed countries are the main sellers of licences. The socialist countries, which have created an extensive scientific apparatus and accumulated a wealth of technical experience, are acquiring a constantly growing share of the international licence market. Litzenzintorg, an export-import firm, has been established especially for selling Soviet licences and buying licences abroad.

Living Labour, the conscious, purposeful activity of people, the expenditure of human nervous and muscular energy to produce some *use value* or useful effect. In the production process, it is linked inseparably with the *means of production*, themselves a result of expenditures of *past labour*. By the end of the act of production, the amount of use values grows, augmenting the material wealth of society. In the context of commodity production, labour has a dual character: on the one hand, it exists in the form of *concrete labour* and, on the other, in that of *abstract labour*. In the course of production, the value of the means of production consumed is transferred by concrete labour to the product made, while abstract labour is the source of the value of commodities. The dominant relations of production determine the social character of live labour and its division into *necessary labour* and *surplus labour*. In exploiter societies it is not only a condition for the life of the production workers themselves, but also a source of existence for the exploiting classes that own the means of production. In capitalist society, surplus labour is a

source of *surplus value*, which is appropriated by capitalists without compensation. Seeking to increase surplus value, capitalists step up the exploitation of workers and make labour more intensive, which accelerates the wear and tear of labour power, raises the incidence of occupational disease and injury, and undermines the health of the working people. Under socialism, the working people work for themselves and their own society, which is free from the exploitation of man by man. Labour is truly free in character. Scientific and technical progress and higher qualifications of the working people enable live labour to cover a growing bulk of the means of production during the same working time. As a result, the share of live labour embodied in a unit of product decreases, while the total output per unit of working time grows and labour efficiency rises. Under capitalism, growing labour efficiency leads, on the one hand, to greater exploitation of the working people and a worsening of their situation and, on the other, to a further growth of the exploiting classes' wealth. Under socialism, the growing efficiency of live labour ensures that the material and intellectual requirements of the people are met to a growing extent, the wealth of society as a whole expands, working time becomes shorter, and the working people's free time increases and is used more rationally.

Living Standards, the combination of living and labour conditions associated with the existing level of social production and dictated by the dominant social system. Living standards are a reflection of the volume and structure of *consumption*, social and production conditions of labour, the extension of the *service sphere*, the structure of *out-of-work time* and *spare time*, the amount of *personal property*, etc. In this wide sense, this term characterises the economic position of people. In a narrower sense, living standards are the extent of meeting demand and the associated size of income. This can be quantitatively expressed in a natural consumption structure and in a generalised form, in value (money) form.

The most important characteristics of raising living standards are its dynamic and the extent to which needs are satisfied. The dynamic is a function of the growth rate of indices such as real income, consumption of food, spare time, the percentage of mechanised labour in the total expenditures of labour, etc. Comparison of actual living standards with socially necessary requirements makes it possible to estimate them in the context of society's realistic possibilities at each specific stage of development. Living standards and their specific indices are dependent on the nature of the socio-economic system. In capitalist countries, the consumption of the working people is constrained by minimal costs of labour power reproduction. Bourgeois ideologists tend to interpret living standards chiefly in terms of consumption, with the emphasis on material benefits. They use average per capita indices of consumption and incomes without regard for the important differences in consumption by different classes of society which reflect the class polarisation of bourgeois society. Socialist production is subordinated to the goal of the most complete satisfaction of the needs of the working people. Social ownership of the means of production is responsible for a new quality of life: confidence in the morrow, collectivist spirit, comradely mutual assistance, healthy morality and social optimism. There are no social constraints for raising living standards. Even though there do exist differences in the living conditions of classes and strata in socialist society, they are of an essentially different nature, less sharp, and tend to be erased. Socialist society does not reduce the conditions of human life to consumption (and even less so, of material objects); living standards are not only this. Under socialism there is a close link between the growing material well-being and higher ideological, moral, and cultural standards. Consumption of spiritual wealth and its accessibility of every person, the social conditions for work, the level of social security, health care, and many other characteristics of the human condition are organic components of the standard of living; if they are neglected, the standard

of living cannot be correctly evaluated.

Loan Capital, *money capital*, whose owner loans it to other capitalists for an agreed term with its return and payment in the form of *interest* stipulated. It is a monetary form of *industrial capital* that has broken off and acquired independent existence and circulation. Loan capital is raised from temporarily free money that forms in the industrial capital turnover. Loaning capitalists transfer money for temporary use by industrial and merchant capitalists requiring it, which causes a separation of property capital from capital functioning and involved in the production and realisation of *surplus value*. The formula of loan capital is $M-M'$ (money loan — loan with interest). Money circulation of this kind makes a complete fetish of bourgeois relations of production, creating the impression that interest grows out of the money itself. In reality, money in the form of loan capital increases because it is used by the investing capitalists to extract surplus value. The investing capitalist yields part of the surplus value to the loaning capitalist as interest (payment) for the right to use his money. Loan capital is by nature parasitic, since its owners create nothing, nor do they use their capital in production; yet they appropriate labour other than their own, thus participating in the exploitation of the working class along with the industrialists and merchants. The intermediaries between the loaning and investing capitalists in capitalist society are the *banks* which accumulate vast amounts of redundant money and offer credits to capitalist enterprises and the state (see *Credit under Capitalism*). Credit largely contributes to higher *centralisation of capital*, and accelerates the process of production socialisation while simultaneously enhancing the parasitic character of capitalist system and aggravating its inherent contradictions.

Loans, State, form of economic relations to attract money into the state budget (see *Budget, State*) for a certain period on the basis of credit (see *Credit under Capitalism*; *Credit under Socialism*). Loans

are divided into internal and external (international), depending on whether they are placed within a given country or abroad; into voluntary or forced, depending on the method by which they are placed; into loans in cash and in kind, depending on the form of repayment; into interest (stable profit in keeping with a fixed rate) and lottery (profit in the form of winnings or prizes), depending on the type of profit; and into short-term (up to one year), middle-term (from one to five years) and long-term (over five years), depending on the redemption term. The content and economic character of state loans are determined by the *mode of production*. Under capitalism, they are the basic form of the functioning of state credit and the main source for offsetting a state budget deficit. Banks, capitalist companies, government organisations and offices and the prosperous strata of the population are the main holders of loan obligations within the country, the bonds guaranteeing them income derived through taxation of the working people. With the help of loans, which increase the national debt, the *national income* is redistributed in the interests of the ruling classes. State loans are usually voluntary in character, because the state offers capitalists a profitable capital investment. Forced loans were used, for example, by Nazi Germany during World War II. Under imperialism loans are used to finance the *militarisation of the economy*, to prepare for and wage wars of aggression. Loans are also an instrument for maintaining *neocolonialism*, and economic and political pressure on other, above all developing, countries. Under socialism, the nature of loans is fundamentally different. Their source is the working people's savings and their main aim is to mobilise temporarily free money for economic and cultural development and for strengthening the country's defences in the interests of each individual country and the world socialist community. Loans are of a voluntary, mass and productive nature. As far as their economic content is concerned, they are similar to savings bank deposits. The difference between them is

that money belonging to the public is deposited into state loans for a long term, which is, like the order for bond repayment, fixed in advance by the highest bodies of state authority and state administration. These funds are accumulated in the state budget. As for bank deposits, they can be withdrawn by depositors at any moment. Growing socialist accumulation in the economy made it possible to stop the issue of new state loans raised on subscription among the population of the European socialist countries in 1956, and in the USSR in 1958. Bonds distributed among the population of the USSR have been being repaid since 1974. Bonds of state domestic loans are sold freely in the USSR and the other socialist countries.

Long-Term Planning, compilation and implementation of plans for the development of the socialist economy and its components — sectors and enterprises (associations) — drawn up for several (five and more) years. Based on the study of the objective laws of social life, the interrelation of all economic sectors and spheres, and the attained level of development and prospects for science and technology, the long-term plan formulates the economic-political concept of economic development for the given period and determines the most effective ways and means to implement it. The long-term plan ensures *planned and balanced development of the socialist economy*, i. e., its rationally administered proportions which correspond to the objective requirements of social development, above all the greatest possible growth of the *efficiency of social production* on the basis of intensification (see *Proportions of Social Production*). The plan also outlines proportions which ensure the most progressive avenues in economic development and prevent over or underproduction of certain products, making it possible to most fully satisfy production and personal requirements with the lowest expenditure of labour, material and financial resources. The growing scale of production, more complicated economic links and the ongoing *scientific and technological revolution*

make new and increasingly higher demands on *economic planning*. The system of measures to improve planning now being implemented in the USSR proceeds from the need to make the role of long-term plans more important, and to orient them towards improving production efficiency and the quality of work, and towards ensuring good *final results of production activity*, fuller satisfaction of the growing social and personal requirements, and greater attention in dealing with social problems. This is ensured through the organic dovetailing of long-term plans with scientific and technical progress, making them balanced, and closely tying in long-term and current problems, and the tasks of sectoral and territorial development. It is also extremely important to make work collectives more responsible and interested in final results of production. The basic form of planning, the main instrument for carrying out the economic policy of the Communist Party is the five-year plan, relying on a system of scientifically-grounded technical and economic norms and standards governing the types of work, expenditures of labour, raw and other materials, fuel and energy, as well as standards for the use of production capacities and capital investment based on economic and technical calculations (see *Rated Planning*), which excludes plan assignments being formulated on the established dynamic of corresponding indicators alone. During the five-year plan period, wholesale and estimated prices of and tariffs on freight haulage remain stable. Fulfilment of the five-year plan at all levels of economic management is estimated by summarising advances calculated since the beginning of the plan period. The annual assignments and economic standards of the five-year plan serve as the basis for compiling annual economic and social development plans, which specify these assignments, making them more concrete. This ensures the unity of long-term and *current planning*. Under mature socialism, it is vitally important to work out long-term plans expressing the socio-economic strategy and the main policy lines of the Communist Party and the Soviet state. Long-term plans are major landmarks in creating material, tech-

nical, social and intellectual foundations ensuring transition to complete communism. A major component in the long-term state economic and social development plans are the scientific and technical, economic and social target comprehensive programmes, as well as the programmes for the development of the individual regions and *territorial-production complexes* (e.g., Food and Energy programmes, and those for saving fuel and metals, the development of the Baikal-Amur Railway zone, for cutting down the use of manual labour, and increasing the production of better consumer goods). The Food Programme of the USSR highlights the radical improvement of agriculture and allied industries and in character and scale will ensure the progress of the entire Soviet economy. The food problem has been posed by the CPSU as the central problem for the current decade. In the planning process, programmes are integrated with the corresponding sections of the plan and with material and financial resources. Wide use is also made of economic, scientific, technical and social forecasts (see *Forecasting, Economic*). In current practice, the compilation of long-term economic and social development plans begins with the elaboration of a *comprehensive programme for scientific and technical progress* for 20 years (by five-year periods), which is specified after the elapse of each five years and compiled for the next five-year period. Proceeding from the long-term socio-economic tasks determined by the Party and the comprehensive programme of scientific and technical progress, the USSR State Planning Committee and the relevant bodies work out and appropriately specify draft guidelines for economic and social development that run for 10 years (by five-year periods), which stipulate how major economic and social questions are to be dealt with. In conformity with the approved draft guidelines, the USSR State Planning Committee determines target figures in the basic indicators and economic standards for the five subsequent years (broken down into years), and presents them to the ministries and departments of the USSR and Councils of Ministers of the Union republics which,

in turn, bring them down to the relevant associations, enterprises and organisations. Based on target figures and preliminary work with consumers and suppliers, the associations, enterprises and organisations work out five-year draft plans, broken down into years. With the target figures, these drafts underlie the five-year plans in the economic sectors and Union republics. Taking account of the latter, the USSR State Planning Committee works out the state draft five-year plan, which is balanced in all indicators (assignments being distributed by years) and submits it to the Council of Ministers of the USSR. Once the five-year plan is adopted according to the established procedure, it acquires the force of law. This way of compiling plans ensures the unity and flexibility of the entire system of planning, making it possible, on the one hand, to manage the economy in a centralised way, and on the other, to develop the broad initiative of the working people and local economic management bodies, i.e. to implement in planning the principle of *democratic centralism in economic management*. The 26th CPSU Congress approved the Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1990. The principal task of the eleventh five-year plan is to ensure that the Soviet people's well-being is further improved through the steady growth of the economy, the acceleration of scientific and technical progress, intensive economic development, as well as the rational utilisation of the country's economic potential, a comprehensive saving of all types of resources and through improving the quality of work.

Long-Term Special Cooperation Programmes, a form of joint planned activity by the CMEA, *Council for Mutual Economic Assistance*. Their purpose is the joint solution of the most important national economic problems within the socialist community. The long-term programmes specify concrete activities for ensuring the satisfaction of the economically justified needs of the CMEA member countries for various kinds of energy, fuel, and raw

materials; for developing engineering through deep specialisation and cooperation of production; satisfying reasonable needs for the main types of food and industrial consumer goods; and developing transportation links between the CMEA members. Closely connected with further improvement of the well-being of the CMEA member countries' population, the long-term special programmes are designed to accelerate the building of socialism and communism, consolidate the economic power of the socialist states, increase production effectiveness, and bring about an *evening out (rapprochement) of economic development levels of the socialist countries*. The need for long-term programmes arises because of the tasks involved in the current and long-term development of the economies of the members of the socialist community. To ensure that the economically justified needs for energy, fuel and raw materials are met and technological progress accelerated, it is necessary to constantly increase investments, which is beyond the means of any individual country. The objective need to extend the planning time span today calls for the elaboration of long-term plans (see *Long-Term Planning*) for economic, scientific, and technological development, the fulfilment of which would solve the key problems in building socialism and communism in each fraternal country. The socio-economic problems facing the socialist countries, despite their national specifics, are becoming more and more international in nature. The rate and level of the socio-economic development of any socialist country depend on the state of the fuel, energy, and financial resources of the entire community, and on its production, scientific and technological potential. Collective use of the joint industrial power of the socialist countries through mutual assistance, specialisation, and cooperation is a clear manifestation of internationalism in the economic sphere. In this context, coordination of economic development, technological designs and capital investment into interlinked sectors of industry and agriculture is just as high on the agenda of the socialist countries as is coordination of general cooperation.

M

Machine Production under Capitalism, production based on the use of machines and exploitation of wage labour to enrich the bourgeoisie. Machine production appeared in the 1770s first in England and subsequently in other capitalist countries as a result of the industrial revolution. The revolution began with the invention of the working machine, which replaced many handicraft tools, and the creation of a three-link machine complex consisting of the working machine, the motor mechanism and the transmitting mechanism. This was followed by a simple cooperation of homogeneous machines. The material and technical base of capitalism was created and bourgeois system triumphed over the feudal one with the transition from the handicraft production to machine production of machines. Machines themselves are a forceful way of economising and easing labour, but under capitalism machines are used to extract *surplus value*. For the capitalist, the profitability of using machines is determined by the difference between their cost and the cost of the workforce they replace. In this connection the capitalist use of machines leads to the progressive development of productive forces on the one hand and on the other intensifies the exploitation of the working class, leads to the extensive employment of female and child labour, lengthens the workday and heightens labour intensification, and leads to the appearance and growth of the industrial reserve army. At the imperialist stage of capitalism, with the advent of the modern scientific and technological revolution, the monopoly bourgeoisie employ the latest technological advances in order to receive maximum profits. The most important feature of large-scale machine production under capitalism is that because of the concentration and centralisation of capital and production, of the appearance of major industrial centres and the deepening of the social division of labour, labour becomes more highly social-

ised. This leads to the aggravation of the *basic contradiction of capitalism*, creating material and subjective prerequisites for the revolutionary transition to the new, socialist system, where machine production is used in the interests of all members of society.

Malthusianism, an unscientific demographic theory, according to which poverty of the popular masses in a bourgeois society is engendered not by the social system, but by the rapid population growth and relatively slow increase in the means of subsistence. It takes its name from Thomas Malthus (1766-1834), an English economist and clergyman. In full contradiction with the reality Malthus believed that the laws of nature condition the inevitability of a growing disparity between the rate of population growth and increase in the means of subsistence. To make his "great law of population" convincing, he provided it with a mathematical basis, according to which the poverty of popular masses and the suffering it entails are the result of population growth in geometrical progression, while the means of subsistence grow in arithmetical. Malthusians say that there is only one way to overcoming this disparity — to keep the population growth at zero or under it. They strongly oppose social aid to the needy and say that wars, epidemics, and legal prohibition of marriages for the poor are necessary virtues. The founders of Marxism-Leninism exposed the reactionary essence of Malthusian ideas. They showed that every social mode of production has its own specific law of population, and that there are no "eternal and natural social laws" nor can there be. An inherent feature of capitalist society is not absolute, but *relative surplus population* or *unemployment*, which is an objective consequence of the *general law of capitalist accumulation*. In current bourgeois economics, the ideas of Malthus have been further developed in neo-Malthusianism. Those who espouse it claim that the world's growing population cannot be provided with the necessary food and so poverty is a natural occurrence, especially in the economically

less developed countries. Those of the bluntly reactionary current say that imperialist wars are the main way of establishing balance between the population and resources. There are also currents which foreshadow the advent of "general doom" as the result of the depletion of life resources and environmental pollution. But they ignore the fact that capitalism rapaciously exploits natural wealth and that the ecological problem can be overcome by establishing socialist relations. A biological approach to and dealing with economic and social problems on a demographic basis are the feature of these theories. They do not take into consideration that the reason for poverty and misery in the developing countries is not high population growth but capitalist production relations, the vestiges of feudal oppression, and *neo-colonialism*.

Management of Socialist Production, purposeful influence on the development of the economy and its components based on the knowledge of objective *economic laws* to improve the *efficiency of social production* and to raise living standards. Once public ownership of the means of production has been established, the object of management is no longer a single company, as is the case under capitalism, but the entire economy, including all its spheres and divisions such as *production, distribution, exchange* (1) and *consumption*, sectors (branches), economic regions, and enterprises. It is through the system of national economic management that planned, balanced development of socialist production becomes a reality and the objectives of economic policies pursued by the communist and workers' parties of the socialist countries are attained. Managing production under socialism is a major element in the mechanism of the conscious application of economic laws. The scientific foundation of management of the economy is the *political economy* of socialism, which provides the fundamentals for the theory of socialist economic management, the science of planning, and other scientific fields concerned with the many diverse aspects of planned management. Once scientifically sound political

guidelines have been developed, organisation, i. e., the further sophistication of economic management in the widest sense, becomes the decisive activity. The most important ingredient, the core of socialist economic management is planning. This is carried out by the socialist state, its planning and economic bodies in conformity with the Party's guidelines and decisions. Planning, like the entire economic system of management, is built in accordance with scientific principles of management developed by Lenin, of which the most important are scientific soundness, democratic centralism, the priority of a political approach to economic problems, the use of material and moral incentives, etc. Major provisions on socialist economic management that reflect the progress of economic theory and the accumulated experience, have been legally recorded in the Constitution of the USSR. "The economy is managed on the basis of state plans for economic and social development, with due account of the sectoral and territorial principles, and by combining centralised direction with the managerial independence and initiative of individual and amalgamated enterprises and other organisations, for which active use is made of management accounting, profit, cost, and other economic levers and incentives." The construction of developed socialism in the USSR requires further improvement of economic management to pace with the new scales and structure of the economy. Party decisions call for formulation and implementation of consistent measures which will cover the basic aspects of national economic management. The most important elements of these measures are the further scientifically valid sophistication of planning and the orientation to *final economic results*; better use of *economic levers and stimuli* such as *cost accounting*, profit, prices, bonuses, etc; improvement of the organisational structure and management techniques. One specific feature of social economic management is the extensive participation of masses of working people. Under socialism, management takes the form of self-management. The Constitution of the USSR stipulates the right of citizens

to participate in the management of state and social affairs, in the discussion and adoption of laws and measures of all-Union and local significance. Broad latitude for involvement in the management of the economy and in planning production and social development is given to *work collectives* (see *Collective, Work, Production*). Improved economic management is a major factor which makes it possible to make better use of the advantages of the socialist economy, to accelerate the *scientific and technical progress*, to make production more efficient and, through this, to deal with the various social problems involved in raising *living standards*. The decision "On Improvement of Planning and Increasing the Influence of the Economic Mechanism on the Growth of Production Efficiency and the Quality of Work" that was adopted by the CPSU Central Committee and the Council of Ministers of the USSR on June 12, 1979 specified the measures to be taken to improve the *economic mechanism* at the current stage of developed socialism. They feature scientific validity, a comprehensive approach to the solution of a wide range of problems, and the consistent orientation of management to final economic results. A system of planning socio-economic development has been defined; significant changes have been introduced in planning indices — priority has been given to those which characterise the effectiveness of social production and the *quality of work*; problems have been resolved in matching industrial and territorial planning, accelerating progress in science and technology, accelerating the introduction of production capacities and plants, and increasing the efficiency of capital investment, the improvement of cost accounting, and the entire set of economic levers and stimuli.

Manufactory, a capitalist enterprise based on the division of labour and handicraft technology; a stage of the development of capitalist industry, which followed *simple capitalist cooperation* in the mid-16th century, and which in the last third of the 18th century was replaced

by machine production. Manufactory took two forms: 1) the association in one workshop of workers of different specialities, linked by the consecutive performance of all operations in making a relatively complex product (heterogeneous manufactory); 2) the association in one workshop of artisans of the same speciality and the subsequent breakdown of identical jobs into more detailed operations to be done by individual workers (serial manufactory). Here the manufactory personnel consisted of partial workers who performed operations using specialised handicraft tools. This deeper division of labour resulted in greater labour productivity and in the increasing production of *relative surplus value*. On the other hand, it had chained every worker for life to performing a certain operation, thus impoverishing him mentally, crippling him physically and increasing his dependence on capital. The development of manufactory was accompanied by an increase in the concentration of production and the growing ruin of the artisans. But manufactory based on manual labour could not embrace and restructure all artisan production which prevailed at that time. It helped to expand considerably domestic and international markets, but failed to rapidly satisfy the increasing demand for goods. Therefore, the necessity arose for a change to a new, machine stage in the industrial development of capitalism (see *Machine Production under Capitalism*). Manufactory created conditions for this transition because it helped simplify work operations, updated tools, and trained workers in various specialities.

Market, see *Foreign Trade; World Market; World Market, Capitalist; World Market, Socialist*.

Marketing, one of the systems of managing capitalist enterprise, presupposing comprehensive and complex accounting of the processes taking place in the market for economic decision-making with a view to obtaining maximum profit. Marketing began to be introduced on a broad scale by big capitalist companies after World War II

in connection with the greater concentration of production and capital (see *Concentration of Production; Concentration of Capital*), the increasing monopolisation of the market, the heightening problem of sales and the competitive struggle between the major monopolies. The main functions of marketing are: studying purchasing demand (actual or potential) for goods and services; organisation of company research aimed at the development of new products satisfying consumer requirements; organisation and supervision of all the company's activity, including production, transportation, packaging, advertising, technical servicing, sales, etc.; perfectioning sales techniques and coordinating planning and financing. Measures evolved on the basis of marketing improve sales organisation, methods of studying the population requirements and the dynamics of the buyer's demand, producing of consumer goods, etc. Alongside this, marketing produces growing circulation costs because of the excessive development of the sales apparatus and of the means of stimulating them. In turn, increased circulation costs result in higher commodity prices, which are a heavy burden on the consumers' shoulders and reduce demand. Thus, marketing is one of the attempts to resolve the contradiction of capitalism between the growing potentialities of production and relatively narrowing consumption.

Marx, Karl (May 5, 1818–March 14, 1883), founder of scientific communism, theoretician and leader of the international proletariat and working people of the entire world. He was born in the city of Trier (Rhine Province of Prussia). His father was a lawyer. The ideas of the 18th-century French Enlightenment (Voltaire, Rousseau) and the great Utopian Socialists of the end of the 18th and beginning of the 19th centuries (Owen, Saint-Simon and Fourier) greatly influenced the young Marx. Marx first studied at Bonn University (which he entered in October 1835), and then transferred to Berlin University where he took law. From this special branch of knowledge Marx soon switched to philosophy. From 1839 to March 1841 he worked on his

doctorate thesis "Difference Between the Democritean and Epicurean Philosophy of Nature"—the philosophy of two ancient Greek materialist philosophers—and made in it a more serious step towards materialism as compared with Hegel. Work on the *Rheinische Zeitung*, founded by the bourgeoisie opposing Prussian absolutism (it appeared between January 1842 and March 1843) brought Marx into his first contact with social and economic problems. Little by little he realised that economic relations played the decisive role in the formation and development of society and the state. As he began acquainting himself with Utopian Socialism and communism (Proudhon, Dézamy, Cabet and others), and criticising the Utopian form of their ideas, he arrived at the conclusion about the necessity of the theoretical substantiation of communism, and turning it from a Utopia into science. In 1843–46, after intensive philosophical, historical and economic studies aimed primarily at studying the real structure of society, Marx in collaboration with Engels established the fact that the economic system is the base with the political superstructure towering above it, that the interaction of the productive forces and production relations in the process of social production forms the concealed foundation of the historical development of any society, including bourgeois. This initiated the evolution of a dialectical and materialist conception of the historical process and, as a conclusion from this conception, the general propositions of the theory of scientific communism. At the same time the methodological foundation of Marxist political economy was given. From that moment, comprehensive research of the economic law of the development of the capitalist society became the main theme of Marx's scientific work, and remained so throughout his life. The discovery of the determining role of material production in social development allowed Marx in his *Economic and Philosophic Manuscripts of 1844* to make important steps in studying the essence of wage labour and to provide the general features of the process of capitalist exploitation. In his economic works of

the second half of the 1840s — *The Poverty of Philosophy* (1847), *Manifesto of the Communist Party* (1848, with Engels), *Wage Labour and Capital* (1849) — Marx approached the evolution of the theory of surplus value and the disclosure of the mechanism of capitalist exploitation. While criticising the anti-historic nature of bourgeois political economy, Marx at the same time emphasised that Ricardo's theory of value (see *Political Economy, Classical Bourgeois*) provides a scientific interpretation of bourgeois economics. At the end of August 1849, after the defeat of the bourgeois-democratic revolution in Europe, Marx was exiled from Paris for his revolutionary activity and moved to London where he lived the rest of his life. In July 1850 he began a thorough study of the capitalist economy and of the economic history of bourgeois society. Between 1850 and 1857, Marx made a grandiose historico-critical analysis of bourgeois political economy, filling notebooks with excerpts from the works of bourgeois economists, first of all, the classical political economists William Petty, Adam Smith and David Ricardo. His letters to Engels of January 7 and February 3, 1851 contained criticism of Ricardo's theory of rent and currency theory. In his small manuscript *Reflections* (March 1851) he evolved in embryonic form some essential tenets of the Marxist theory of reproduction and economic crises. In April 1851 Marx compiled a detailed summary of Ricardo's *Principles of Political Economy and Taxation*, to which he provided a critical commentary. In July 1857 in an outline about the vulgar economists Carey and Bastiat Marx presented the first clear definition of the framework of classical political economy from Boisguilbert to Sismondi. Finally, in the outline "Introduction" to the future economic work (1857) Marx formulated the main propositions relative to the subject and method of political economy he was working on. The "Introduction" generalised Marx's economic research of the 1850s, and at the same time concretised the dialectico-materialist method of political economy. His works of the 1850s, including the manu-

script of 1857-58 — *Outlines of a Critique of Political Economy*, made a revolution in political economy. In this manuscript, the initial version of *Capital*, Marx first evolved his theory of value (its focal point is the theory of the dual nature of labour and its product in bourgeois society) and on this basis — the theory of surplus value, and made his first steps in the evolution of the theory of average profit and the price of production. This work shows, first of all, the process of research into the capitalist economy, whereas volumes I-III of *Capital* are, primarily, the scientific summary of the economic theory he had already evolved. The important feature of the theory of surplus value is the fact that Marx explained the mechanism of capitalist exploitation on the basis of the theory of value within the framework of equivalent exchange between the proletarian and capitalist. In other words, the capitalist class appropriates surplus value created by wage labourers in full accordance with inner laws of bourgeois society. From this followed an important conclusion: the working class could not free itself from capitalist exploitation through reformism within the framework of capitalism; to do so demanded a socialist revolution. In this way, the conclusion about the world-historic role of the proletariat as the grave-digger of capitalism and the creator of a new, communist society which Marx had formulated in the 1840s as a scientific hypothesis became a scientifically proved tenet. The dialectico-materialist understanding of history, formulated by Marx in detail in 1859 in *A Contribution to the Critique of Political Economy*, which contained a scientific summary of the theory of value and the theory of money, was economically substantiated. This book was the first issue of the economic work which was to be followed by subsequent issues. In August 1861 Marx began work on the second issue initiating the 1861-63 manuscript *A Contribution to the Critique of Political Economy* — the second rough version of *Capital*. The first five notebooks of the manuscript contained the material of the second issue, the work which Marx interrupted in March

1862 so that he could embark, beginning with the sixth notebook, on a detailed critical study of the history of bourgeois political economy. This central part of his manuscript is called *The Theory of Surplus-Value* and is in fact the sole outline of the fourth volume of *Capital*. In it, Marx worked out the theory of surplus value in the broadest sense of the word, passing from surplus value itself to its transformed forms: profit, average profit and ground rent, and evolving the theory of productive labour, reproduction and economic crises. At the end of 1862 Marx decided to publish his work under the title *Capital*, subtitled *A Contribution to the Critique of Political Economy*. In August 1863 Marx began writing a new manuscript (1863-65 manuscript, third rough version of *Capital*). Only Chapter VI has been preserved from this manuscript, which was intended for the first volume of *Capital*, as well as the initial version of the second volume and the only version of the third volume, based on which Engels prepared the third volume of *Capital* for print after Marx's death. After completing his work on this manuscript in December 1865, Marx began preparing for print the first volume of *Capital*, which appeared in September 1867. In the 1870s Marx prepared and published the second German and French editions of the first volume of *Capital* and began preparing the third German edition. Apart from this, Marx wrote seven manuscripts containing material for the second volume (on the basis of these manuscripts Engels prepared the second volume of *Capital* for print after Marx's death). While working on *Capital*, Marx evolved and perfected its structure. In 1857-59 he drew up a plan of work composed of six books: capital, land property, wage labour, the state, foreign trade and the world market. In 1862-63 Marx worked out a plan of *Capital* in four volumes: the process of the formation of capital, the process of capital circulation, capital and profit, and the history of the theory. Thus, *Capital* is a detailed elaboration of the first of the six books which Marx initially planned to elaborate in accordance with the objective economic structure ofbour-

geois society. Marx was not only a man of genius and a scientist, but, above all, a proletarian revolutionary. As he elaborated his economic theory, he invariably tried to formulate the laws ensuing from it of the struggle of the working class against the capitalist class. In his works related to the period of the First International (1860-70s), and primarily in *Wages, Price and Profit* (1865), Marx concretised the basic theoretical foundations of his economic theory as applied to the fundamental questions of the working-class movement. This was of key importance for the spread of Marx's theory in the international working-class movement, for evolving the strategy and tactics of the struggle of the working class, as well as for verifying the correctness of the theory itself and how it corresponded with reality. Marx in the last period of his life evolved political economy in a broader sense, working on the theory of pre-capitalist formations and the scientific forecasting of communist society. Marx worked on his economic theory in close co-operation with Engels (see *Engels, Frederick*), with whom Marx discussed questions figuring in *Capital*. In fact, Engels was the co-author of Volumes II and III of *Capital* and did much to popularise this great work and spread the ideas it represented in the working-class movement. Marxist theory invariably developed as an organic interaction of its components — philosophy, political economy and scientific communism and so can be said to be an integral theory. Having discovered the economic law of the motion of capitalist society and demonstrated the inevitability of the transition to communist society, and basing on the analysis of the material prerequisites of communism which ripen within capitalism, Marx formulated the key laws of the communist economy and communist organisation of labour: two phases of the development of communist society, of the communist mode of production; the law of time saving; the role of free time under communism; the all-round development of the individual as the objective of communist production; the scientifically substantiated character of the communist process of

reproduction, etc. Marx is credited not only with the creation but also with both generalising and adapting his economic theory so that it was relevant to questions of the development of other countries (Russia, the USA) where conditions were very different from those of the development of the classic British capitalism of Marx's times. Marx took genuinely creative approach to theory, and in this he was fully succeeded by Lenin (see *Lenin, Vladimir Ilyich*), who comprehensively developed Marxism in new historical conditions and put it on to a higher level. Today Marxism-Leninism is not only a scientific theory, but also a great material force, embodied in the strength of the countries of the socialist community, in the revolutionary nature and organisation of world proletariat, and in the scope and depth of national liberation movement. The CPSU and other fraternal parties have been fighting against all kinds of attempts to distort and "improve" Marxism, for purity of Marxist-Leninist theory, creatively developing it with reference to a new historical situation. Such an approach is in keeping with the tradition and spirit of the Marxist theory and with the requirements of the communist movement.

Material and Moral Incentives, the forms, methods and means of enlisting people into labour and encouraging people's labour activity under socialism. A definite system of incentives for work conditioned by the corresponding type of *relations of production* is characteristic of every social formation. In pre-capitalist formations the exploiting classes primarily employ direct violence and extra-economic compulsion to incite direct producers to work. Capitalism relies on economic coercion, based on formal equality between the owner of the means of production and the owner of labour power. The elimination of private ownership of the means of production and of the exploitation of man by man, and the assertion of the socialist social property radically change the attitude of direct producers to work. A new type of *economic interests* arises, harmoniously com-

bining the interests of society as a whole, of work collectives and of the members of socialist society. Here the interests of the whole people are first and foremost. They express the necessity of the maximum possible growth of social wealth and, on this basis, satisfaction in the best way possible of the growing requirements of the members of society and the all-round development of each. Under socialism, each worker is a co-owner of social wealth, and because of this he is interested in highly productive work and in increasing this social wealth. However, under socialism most people do not yet feel labour as a prime necessity of life. There are social and economic differences in labour — degree of qualification, level of mechanisation, working conditions, economic significance, etc. Therefore, socialist society requires forms and methods of encouraging people to work to the best of their ability. A system of material and moral incentives has shaped up in the USSR to instill in the working people the feeling of collectivism, and to form a communist attitude towards labour and social wealth. Material incentive for the results of their labour is one of the main pillars of the socialist economy. It is based on social appropriation of the means and products of production, and the collective work of all able-bodied members of society aimed at raising the well-being of all. Personal material incentive for the results of one's labour is realised through distributing material and cultural benefits according to the quantity and quality of labour every worker expends. In socialist society there is a direct and immediate relation between higher social production and its greater effectiveness, on the one hand, and a share of social wealth for personal consumption of members of the society, on the other. At state enterprises and institutions wages (see *Wages under Socialism*) are the principal form of material incentive, while in the collective farm-and-cooperative sector it is guaranteed payment according to work done (see *Payment for Work on Collective Farms*). In developed socialist society (see *De-*

veloped Socialism) the role of material incentives such as bonuses is growing. In combination with their wages, bonus payments make workers more interested in bettering the final results of their labour, in making it more productive and in improving the quality of the product. Alongside personal material incentives there are incentives for work collectives at cost-accounting enterprises (see *Cost Accounting*) for improving economic activity which will bring them a share of the profits (see *Profit of Socialist Enterprises*) and will result in forming the *economic incentives funds*. Socialist society makes sure to organically combine personal and collective interests. Under socialism, relations between society as a whole (the state) and each work collective are structured on the principle: "what is advantageous for society must be advantageous for the enterprise and every worker". This principle places enterprises in economic conditions which encourage them to use material and labour resources more effectively in order to satisfy social requirements in the best way possible. The material incentives come not only in the form of wages and payments in the collective farm-and-cooperative sector of production but also through *social consumption funds*. This has a direct effect on the worker's labour. The fact that society provides many social services at no cost to the recipient or at a discount encourages workers to work more efficiently and to increase their contribution to social production. Members of society receive several allowances and privileges (pensions, grants, leaves, etc.) according to their wages, work record, working conditions, etc. Thus, distribution through social consumption funds is linked with distribution according to work, intensifying the incentives for highly productive labour. Material incentives presuppose not only encouragement but also material responsibility of workers and their collectives for the results of their work. The moral incentives for work are the greatest achievement of socialism and its main advantage over capitalism. The attitude towards work in socialist society is one of the principal criteria of a

person's appraisal. Moral incentives are means and forms of encouraging people to work which are based on the use of the social significance of labour and on the social recognition of labour services. The effectiveness of the material and moral incentives finds its concrete expression in the work workers and collectives do. Moral incentives are implemented through various forms of *socialist emulation*, patriotic initiatives, the broad participation of the working people in managing state and social affairs, the movement of innovators and inventors, etc. The development of moral incentives for work presupposes the education of working people in a spirit of communism and the strengthening of conscientious discipline. Moral and material incentives are organically interlinked, supplementing and enriching one another. This makes it possible to fully employ the abilities of every worker and collective as a whole and to make them interested in the best way possible in effective and highly productive labour. The Constitution of the USSR proclaims: "By combining material and moral incentives and encouraging innovation and a creative attitude to work, the state helps transform labour into the prime vital need of every Soviet citizen."

Material and Technical Base of Communism, large-scale, comprehensive mechanised and automated planned production, based on the complete electrification of the entire economy and ensuring the complete well-being and free all-round development of every member of society. This signifies a gigantic leap in the development of large-scale machine production in the process of the *scientific and technological revolution*. Alongside comprehensive mechanisation and automation of certain production processes, the necessary conditions are created for the move ahead to the comprehensive *automation of production*. Electricity produced by nuclear power sources is being expanded on a vast scale. Plastics, artificial resins and other synthetics which often

possess superior chemical qualities are successfully replacing raw and other natural materials. Production technology is qualitatively changing. New machinery and technology require people with greater knowledge and comprehensively developed abilities to work with them. The achievements of science and technology produce changes in the *proportions of social production*. The links between production and science, which has become a direct productive force, are reinforced. The social character of production intensifies. In a developed socialist society, the creation of the material and technical base of communism is one of the principal tasks of the socialist state of the whole people. This makes it possible to resolve the fundamental question of building communism — to ensure, through comprehensive mechanisation and automation of production and higher labour productivity, a full and prosperous life for every member of society, to create an abundance of consumer goods. The material conditions necessary for socialist *relations of production* to evolve into communist production relations are emerging. As the social character of production intensifies and its socialisation reaches a higher level, a stronger bond is created between the cells of social production, relations of comradely cooperation and mutual assistance develop in work collectives, and the community of interests of the workers strengthens further. The leading role of *state socialist property* (*belonging to all the people*) grows. A powerful upsurge of *productive forces* in agriculture brings agricultural production closer to industrial production in the level of mechanisation and qualification of workers. At the same time the gap between rural and urban life narrows, as the village is restructured. Human labour becomes more and more creative. Increased free and properly used time in a socialist society (see *Spare Time under Socialism*) is an important prerequisite of the individual's all-round development. The creation of the material and technical base of communism in the USSR is accompanied by the increasing socialist economic integration of

the CMEA member countries. This ensures *evening out (rapprochement) of economic development levels of the socialist countries*, and the creation of the necessary material conditions for the more or less simultaneous (within the same historical epoch) transition of the socialist countries to communism.

Material and Technical Base of Socialism, socialist large-scale machine production throughout the economy, based on electrification and the extensive and planned application of the latest scientific and technological achievements throughout the entire country so as to ever fully satisfy the working people's material and cultural requirements. Lenin wrote: "A large-scale machine industry capable of reorganising agriculture is the only material basis that is possible for socialism... Large-scale industry based on the latest achievements of technology and capable of reorganising agriculture implies the electrification of the whole country" (V. I. Lenin, *Collected Works*, Vol. 32, p. 459). Although large-scale machine production emerges under capitalism, it is subordinated to the interests of capital, and for this reason it possesses social and structural production traits which do not correspond to socialist requirements. Capitalism excludes direct planned integration of sectors of the economy in a single whole, produces great differences in the levels of mechanisation of enterprises, industries, economies, regions, as well as of countries. The state of the dictatorship of the proletariat exerts tremendous efforts to create large-scale machine production and frees the inherited material and technical base from the limitations which it suffers from under capitalism, opening up broad horizons for the development of science and technology in the interests of all working people. Machine production under socialism develops in a planned way and comprehensively — on the scale of all social production. Here the development of the heavy industry, based on advanced science and technology, the *concentration of production* in the largest enterprises, and the elimi-

ination of uneven technological development are of prime importance. Now that the world socialist system exists, the material and technical base of socialism is created with due consideration of the international socialist division of labour (see *Division of Labour, Socialist International*) based on all-round economic cooperation and mutual assistance between the countries building the new society. The material and technical base of socialism is created in the process of socialist industrialisation (see *Industrialisation, Socialist*) and *socialist transformation of agriculture*. The creation of the material and technical base of socialism ensures the complete domination of social ownership of the means of production, and socialist production relations in the rural and urban areas. Renewed productive forces and new production relations result in considerably higher labour productivity, a rapid growth of economic strength of the socialist state, and higher living standards and cultural and technological levels enjoyed by the working people. As developed socialist society is built, the material and technical base develops comprehensively. During this period the Soviet economy grew tremendously. A powerful economic complex has been created based on the modern multi-sector industry and large-scale highly mechanised agriculture. The introduction into production of the latest achievements of science and technology is being accelerated. A totally new technology is being created in many areas. A qualitative change takes place in the development of the material and technical base at the stage of developed socialism. It is based on the scientific and technological revolution, the implementation of which leads to the establishment of a comprehensively mechanised and automated production and the creation of the material and technical base of communism (see *Developed Socialism*).

Material and Technical Supply, the form of commodity turnover within the state sector of the economy by which state production enterprises are supplied with the means of labour — equipment,

tools, appliances, etc., and objects of labour (see *Implements of Labour; Object of Labour*). In a given form of commodity turnover certain enterprises (economic organisations) act as suppliers and others as consumers of the means of production. Under the developed social division of labour the same enterprise can be the consumer of what many enterprises supply, and at the same time the supplier of products used in several industries. Material and technical supply is a form of wholesale commerce, a form of the planned distribution of the means of production based on the organised links and contracts between suppliers and consumers either directly or indirectly (see *Direct Long-Term Economic Ties*). Material and technical supply is realised in accordance with proportions envisaged in the country's economic plan and with approved planned rates of the expenditure of material resources per unit of production. The state (society) is the owner of the means of production when they are sold or bought. The plan of material and technical supply is a component of the single national economic plan of the country (republic), and the production plans of an industry or enterprise (association). The sphere of the material and technical supply expands with the expansion of production, the acceleration of the scientific and technical progress, the development of specialisation and cooperation, the widening range of production and technological products consumed by enterprises, the heightened industrialisation of construction, and the restructuring of agricultural production on the industrial base. The technological level of this important branch of the economy is rising — modern warehouses and depots are being built, loading and unloading means and transport developed, etc. Material and technical supply in the USSR is handled by the State Committee for Material and Technical Supply of the USSR, the State Committee of the USSR for Production and Technical Supply of Agriculture, relevant bodies of the constituent Union republics, ministries, departments, enterprises (associations) and institutions.

Material Incentive, see *Material and Moral Incentives*.

Material Intensity, one of the basic generalising indicators of the use of current material expenditures — raw and other materials, and fuel. In its quantitative aspects it is the ratio between the value of material expenditures and the overall value of what is produced, or the newly created value — *national income*. Since the material intensity is determined in value terms, the level of material expenditures depends not only on the rates of consumption of raw and other materials, and fuel per unit of product, but also on their average price. Reducing the material intensity is one of the decisive factors in raising the *efficiency of social production*, because it leads to the lower material expenditures per unit of the *final social product*, a reduction of specific expenses, asset-output ratio (see *Output-Asset Ratio*) and *labour intensity of output*. The tendency for material intensity to increase is an inevitable feature of the industrialisation period. In the stage of developed socialism it can be overcome primarily by reducing specific material inputs. The main ways of lowering the material intensity are: extensive use of progressive technology, reducing the weight of the article, and perfecting the technological processes, which reduce the expenditure of fuel and power in their use; expanding output of economical products and reducing the specific expenditures of raw and other materials, more thorough and complex processing of them; wider use of secondary raw materials.

Materialised Labour, see *Past Labour*.

Means of Production, means and *objects of labour* combined, employed in the process of social production, in creating material wealth. When characterising the process of social production Marx wrote: "If we examine the whole process from the point of view of its result, the product, it is plain that both the instruments and the object of labour, are means of production"

(Karl Marx, *Capital*, Vol. I, p. 176). The decisive place among the means of production is held by means of labour, and especially the *implements of labour*. Meanwhile, in modern conditions the role of the objects of labour is growing. The objects of labour indicate the level of development of the means of production, as a significant share of the objects of labour are semi-finished items manufactured from man-made and synthetic materials. The process of production always occurs in a certain socio-economic environment, whose foundation is created by the relations of *ownership* of the means of production. Property relations combined with the entire system of the *relations of production* establish the socio-economic form of the means of production. Under capitalist private ownership, the means of production assume the form of *capital*, a means of exploiting hired labour. As a consequence of the socialist revolution, which abolishes the obsolete capitalist relations of production, the means of production become objects of social ownership; in a planned process of social production they serve to produce items for productive and personal consumption. The Constitution of the USSR proclaims socialist ownership of the means of production as the foundation of the economic system of the USSR. Socialist society turns the means of production to an effective use for the broadest possible satisfaction of the material and spiritual needs of the working people.

Mechanisation of Production, replacement of manual labour by machines. The introduction of machines and machine systems frees workers from arduous, labour-consuming manual operations. Operating and maintaining machines become the workers' principal function. Under socialism the objective of mechanisation is to raise labour productivity and the *efficiency of social production*, and to achieve important social results — easing and making work conditions healthier, raising workers' cultural and technical levels, increasing wages and overall material well-being and overcoming *essential*

distinctions between mental and physical labour. Workers of socialist enterprises are vitally concerned with mechanisation of production. Under socialism the mechanisation of production is one of the main currents of the *scientific and technical progress*. Historically, labour-consuming and arduous work was mechanised primarily in basic production, while a considerable share of manual labour still persisted in other operations, especially auxiliary jobs. This is what is called partial mechanisation. In the period of developed socialism comprehensive mechanisation on the scale of the workshop and enterprise, in which manual labour is replaced by machines in all the principal technological and auxiliary jobs, is a priority. Comprehensive mechanisation ensures the rapid growth of labour productivity and the high economic effect, and facilitates the *automation of production* on a broad scale. The policy of rapid technical re-equipment of production, the designing and manufacture of machines and plant enabling working conditions to be improved, productivity raised and material resources economised, is to be implemented throughout the economy of the USSR in 1981-85 and in the period up to 1990. Fundamentally new machines and materials, as well as progressive technology are being created and introduced in production. More and more machines and higher-power-unit assemblies, highly economical plant, machine systems for the comprehensive mechanisation and automation of production are being manufactured. Under capitalism, capitalists make use of mechanisation of production and of the introduction of new machinery to heighten the *exploitation* of the workers, to excessively intensify their labour and extract the highest profits. In capitalist society higher *unemployment* is the social consequence of mechanisation, as the capital saving is the criterion of the use of machines. Therefore, the saving of wage labour is the economic limit of using machines. Socialist *relations of production* open up broad horizons for using the most effective machines, which ease the burden of labour and make it effective and creative. The saving

of all social labour and the growth of public wealth to satisfy the requirements of society are the criterion of the socialist use of machines. Under socialism the elimination of arduous manual labour is a task of key social significance. The Constitution of the USSR proclaims: "The state concerns itself ... with reducing and ultimately eliminating all arduous physical labour through comprehensive mechanisation and automation of production processes in all branches of the economy."

Mercantilism, a trend of bourgeois political economy and the economic policy of states during the age of the *primary accumulation of capital* (15th-18th centuries), which reflected the interests of the *merchant's capital* when it was still linked with *industrial capital*. Mercantilists believed that profit is created in the realm of circulation, while money is the wealth of the nation. Therefore, the policy of mercantilism was aimed at attracting to the country as much gold and silver as possible. The first mercantilists (Stafford and others) insisted that all expatriation of currency from a country be banned. Their aim was to accumulate currency within the country by exporting goods to a foreign market. As capitalist forms of the economy developed and foreign trade expanded, the policy which blocked currency from circulation became increasingly inexpedient. The policy of a favourable money balance was replaced by the trade balance policy. It was advocated by late mercantilists (T. Mun, A. Serra and others). They felt that the state must have an export balance of trade, that is, that the country should not import more goods than it exports. Hence, the manufacture of export goods was encouraged. Mercantilism regarded foreign trade as a source of wealth and, since export goods were manufactured by artisans, the mercantilists concluded that the handicraft industry had to be developed. Capitalist production was in its birth, and the mercantilists' outlooks were conditioned by the level of economic development of the time. Mercantilism began to decline in the mid-

17th century because, as capitalism developed, capitalist production became the main way of increasing wealth. Marx called mercantilism the pre-history of political economy. "The real science of modern economy only begins when the theoretical analysis passes from the process of circulation to the process of production" (K. Marx, *Capital*, Vol. III, p. 337). Mercantilism was progressive for its time, since it facilitated the development of the first big capitalist enterprises — manufactories — and encouraged the development of the productive forces and the victory of capitalism over feudalism. But as capitalism developed, the main propositions of mercantilism became outmoded and the bourgeoisie advanced new economic theories based on the requirements of free trade and free enterprise. Physiocratism replaced mercantilism as a trend of bourgeois economic thought (see *Physiocrats*).

Merchant's Capital, an isolated part of *industrial capital* functioning in the turnover sphere and servicing the sale of commodities and of the surplus value they contain. In pre-capitalist formations, merchant's capital was an independent and the dominant form of *capital*. It facilitated the development of commodity-money relations, the ruin of petty commodity producers and the accumulation of considerable sums of money in the hands of individual exploiters. This engendered the *capitalist mode of production*. The developed capitalist economy is characterised by a division of the functions of the production and sale of goods between merchant and industrial capitalists. When trade separates from industry and a group of capitalists specialise in buying and selling commodities thus acquiring a specific sphere of application of capital — the turnover sphere, then a part of the capital separates itself from industrial capital and forms merchant's capital, which functions in two forms — commodity and money and in its movement passes through two stages: the purchase of commodities (M—C) and the sale of commodities (C—M). Certain expenditures are made in the process of commodity turnover, and these are subdi-

vided into net and additional *circulation costs*. Merchant's capital functions in capitalist trade, which has two main forms: wholesale trade (the sale of goods in large batches) and retail trade (sales to consumers). Merchant's capital does not take a direct part in manufacturing goods and creating surplus value, but it facilitates the turnover of industrial capital, boosts output and realises the surplus value these goods include. Merchant capitalists, like industrialists, set up their enterprises in order to make profit. The separation of merchant's from industrial capital aggravates the contradiction between production and consumption inherent in capitalism. Selling finished goods to merchant capitalists, industrialists do not care about what happens further to them and continue to manufacture goods, often overpacking already packed warehouses and thus aggravating the *basic contradiction of capitalism*.

Merchant's Profit, under capitalism, the profit obtained by *merchant's capital*; a specially converted form of *surplus value* created by the working class in the process of capitalist *production* and appropriated by merchant capitalists. With the isolation of merchant's capital into an independent form, aggregate surplus value is distributed between industrial and merchant capitalists. Merchant capitalists obtain average profit on invested capital since their capital participates in equalising the general *rate of profit* on the basis of *inter-industry competition*. Under free competition, merchant's profit is equal to average (general) profit. Merchant's profit is formed in the following way: the industrial capitalist sells goods to merchant capitalists not at their value but somewhat below it, thus creating the conditions for the merchant to obtain an average rate of profit. The merchant capitalist obtains profit in the form of the difference between the purchasing and sales price of goods at the expense of the surplus value created in the production process. The labour of petty commodity producers, whom the merchant capitalist exploits both as sellers and purchasers, using "price scissors", is also a source of

merchant's profit. The inflation of the prices of consumer goods and the lowering of those of goods bought from petty commodity producers is particularly characteristic of the age of imperialism, this leading to growing merchant's profits. Under imperialism, the average profit is not enough for monopoly merchant's capital, which aims for monopoly profits. Under socialism, trading enterprises obtain a profit from selling their goods, but this profit differs fundamentally from that under capitalism. It is part of the value of the output made for society by the workers in material production. The profit from socialist trade is used for further developing the national economy, including improvement of the forms and methods of servicing the population through the trade system.

Migration of Capital, the movement of capital within one country, as well as from one country to another (international migration of capital) in search of more profitable application. The migration of capital in the capitalist countries is associated with the discovery of new natural resources, with the use of cheaper workforce, cheaper land, etc. It may accelerate the economic development of the territories to which capital flows or, contrariwise, retard the development of territories where capital formation processes have weakened because of capital outflow. The international migration of capital may take two forms: when the owner moves to another country and takes his capital with him, and when he remains in his country of origin. Capital migration with the owner considerably accelerates economic growth in the country where it is invested, because profits brought by capital remain in the country and are used to amass more capital. In the 19th century, the comparatively rapid economic development of the United States was, in particular, connected with considerable migration to the country of West European and especially British capital with its owners. Capital migration without the migration of the owner — the *export of capital* — which has developed extensively during the epoch of imperial-

ism, is aimed at establishing the rule of the monopolies of one country over the economy of another country and is connected with the garnering and transference to the mother country of much of the profit accruing from exported capital. The international migration of capital has a significant effect on a country's *balance of payments*. Entrepreneur's capital migration is shown in the balance of payments in the item "movement of long-term capital". Most developed capitalist countries here show a deficit, since they export more capital than import. Usually this deficit is compensated by a highly favourable balance in the item "profits from foreign investment", which is shown in the column on the balance of payments on current account. The migration of *loan capital* (buying or selling bonds, bank deposits on current accounts, etc.) is reflected in the item "movement of short-term capital". Short-term capital is extremely mobile, very often moving from one country to another because of actual or pending changes of the exchange rate, change of interest rate and other conditions, and hence is called hot money. The extensive movement of hot money in search of better investment terms may sharply aggravate the balance of payments situation and result in a monetary crisis in the given country. In postwar years the mass migration of short-term capital has always been one of the causes of the crisis of the British pound. Since the migration of capital has a considerable effect on a country's economic development, it has become one of the areas of the state-monopoly regulation. Currency restrictions considerably retard the international migration of capital. Several countries, in particular Japan, have checked the inflow of foreign capital for quite a long time. But over the last few years there has been a tendency in many countries, which also include Japan, to ease restrictions on the international movement of capital.

Migration of the Labour Power, International, movement, resettlement of the able-bodied population from one country to another in search of work and better

living conditions, characteristic of capitalism, especially in the imperialist epoch. The main reason of this migration is the unevenness of the accumulation of capital in certain capitalist countries, which leads to *relative surplus population* in some countries and the lack of a workforce in others. Under capitalism this process is spontaneous and usually proceeds from the less developed to the more developed countries with a relatively high economic growth rate. Historically, the workforce resettled en masse from Europe to North America, where turbulently developing industrial capitalism required many workers, while the local population was limited. The influx of immigrants is one of the reasons for the relatively rapid capitalist development of the United States. The growing *unemployment* in the capitalist world against the background of the *general crisis of capitalism* forced all capitalist countries to resort to restrictions and in several instances to banning foreign workers from entering the country. However, after World War II, because of the features of economic development, certain West European countries, especially the FRG and France, were interested in attracting non-qualified workforce from other lands. Restrictions were dropped within the Common Market framework. At the beginning of the 1970s nearly 11 million foreign workers were employed in the European Economic Community as a result of migration within the Community and the influx of immigrants from less developed South European countries (Spain, Portugal and Greece). Foreign workers are the most exploited sector of the working class. Most do not belong to trade unions, labour legislation does not extend to them, they are not employed in qualified work, they earn less for their labour than local workers and they live in worse conditions. "The exploitation of *worse paid* labour from backward countries is particularly characteristic of imperialism. On this exploitation rests, to a certain degree, the *parasitism* of rich imperialist countries which bribe a part of their workers with higher wages while shamelessly and unrestrainedly exploiting the labour of 'cheap' foreign workers"

(V. I. Lenin, *Collected Works*, Vol. 26, p. 168). The scientific and technological revolution has resulted in the international migration of people in the sciences and professions known as brain drain. Scientists, engineers, doctors and other highly qualified workers have moved from Western Europe to the United States in search of better conditions to use their expertise and higher living standards, thus allowing the American monopolies to save money on personnel training. This brain drain considerably damaged the economy of West European countries.

Militarisation of the Economy of Capitalist Countries, the subordination of the economy to the interests of preparing and waging war. All kinds of military hardware are needed to make it possible to wage war. As the productive forces develop and the means of waging war improve, the imperialist powers increase their absolute and relative military expenditures, heightening the level of the militarisation of the economy. Whereas in 19th-century wars an average of 8-14 per cent of the national income of the belligerent countries was used for military purposes, during World War II Germany spent 67.8 per cent, Britain 55.7 per cent, and the United States 43.4 per cent. Formerly the militarisation of the economy reached considerable dimensions only on the eve of and during wars. After World War II the aggressive policy of imperialism and the intensive arms race led to an unprecedented peacetime militarisation of the economy of the capitalist countries. One can evaluate the extent of the militarisation of the economy from figures indicating the proportion of GNP used for direct war expenditures. In 1980 for the United States the figure was 5.5 per cent, for Britain — 5.1, France — 3.9, and the FRG — 3.2. The militarisation of the economy has reached its highest level in the United States which occupies a dominating position in the military production of the contemporary capitalist world. Approximately 75 per cent of the planes, missiles, and artillery and infantry weapons, and 66 per cent of the military vessels produced in the NATO

countries is concentrated in the United States. Nearly all industries are directly or indirectly connected with the manufacture of a wide range of military hardware. However the aerospace, missile and nuclear industries, shipbuilding, the manufacture of radio-electronic gadgets, tanks and armoured personnel vehicles, ammunition, artillery pieces and small arms, etc., make up the bulk of military production. There are constant changes in the structure of the war industry as a result of the development of military technology, changes in the strategy and character of war preparations, etc. In a militarised economy the military industrial corporations, profiting from government military orders, develop common interests with a certain part of the government and especially the military apparatus. A *military industrial complex* emerges which advocates the arms race and opposes *detente* and disarmament. The 26th CPSU Congress noted that the opponents of *detente*, arms limitation and better relations with the Soviet Union and the other socialist countries have stepped up their activities noticeably. Adventurism and the readiness to gamble with the vital interests of the human race in the interests of their narrow selfish aims are strikingly evident in the policy of the most aggressive imperialist circles. The unprecedented rise in military spending in the capitalist countries, and especially in the United States, is a consequence of this policy. The militarisation of the economy and huge non-productive military expenditures retard economic growth, deform the economic structure, and prevent the countries from dealing with their many acute socio-economic problems, and are one of the reasons for the swift growth of *inflation*, the aggravation of the *monetary crisis* and the other economic difficulties capitalist countries face.

Military Industrial Complex (MIC), alliance of military and industrial monopolies, reactionary military circles and top governmental officials for the purpose of constantly increasing military strength in the interest of reinforcing and expanding class domination by the monopoly bourgeoisie,

as well as for personal enrichment. The material base for this alliance is provided by the arms race and the expansion of the military industry. After World War II, the military industrial complex of the USA developed especially fast; however, similar complexes do exist in other imperialist countries. The MIC has become a powerful force, which exerts a great negative influence on the politics, economy, and other spheres of social life; this is largely because the MIC receives most of the multibillion military contracts of the bourgeois countries. Military contracts are a "gold mine" for the suppliers of war materiel, who have always made fortunes from manufacturing armaments. The military industry guarantees huge profits to the military industrial corporations; its rate of profit is far greater than that in the civilian sector of the economy. Although a large number of companies are involved in military industry, the lion's share of government military contracts goes to a relatively small number of monopolies. Among the largest US military industrial corporations are: Lockheed Aircraft Corp. (between 1961 and 1976 it received military contracts from the Pentagon to the sum of 26,300 million dollars), General Dynamics Corp. (21,200 million), McDonnell-Douglas (19,600 million), etc. In Great Britain, the FRG, and Japan there is also a high level of concentration and monopolisation of military industry. The largest arms manufacturers comprise the nucleus of the military industrial complex. To obtain a larger share of the highly profitable military contracts, they establish close ties with the state legislative and executive bodies and secure high posts for their representatives in the war and other departments; in their turn, they often provide jobs for influential retired generals and officers. The MIC makes extensive use of these personal ties, as well as of other levers, such as the mass media and a broad propaganda network to maintain and multiply huge military profits and to strengthen its positions in the economy and politics of the capitalist countries. The MIC tries to increase deliveries of weapons not only to the national armed forces, but to other

countries as well; an acute competitive struggle is being waged between the military industrial corporations of different countries for the armaments market. In their bid for fortunes, the suppliers of weapons have always helped aggravate international relations; they have always been party to establishing reactionary regimes and unleashing wars. They resort to all kinds of means to oppose detente, heighten international tensions, and whip up the arms race. In the late 1970s and early 1980s, the international situation grew worse under the impact of actions by imperialism's most aggressive circles closely associated with the MIC. The MIC was able to force through a gigantic increase in military spending, particularly in the USA; in the proposed 1983/84 budget, the figure exceeded 280,000 million dollars, highest by far in the history of the USA, even at a time of world wars. The working people of all countries are stepping up their struggle against the arms race imposed upon the world by the MIC.

Mode of Production, unity of two interdependent entities — *productive forces* and *relations of production*, characterising the level attained in the production of the vitally important *means of production* and *consumer goods*. Within this dialectical unity, relations of production represent the social form of the development of the productive forces. However, the form is inseparably bound to the content, and is dependent on it. The productive forces, their nature and level of development determine economic relations among people, and above all the type of *ownership* of the means of production. Relations of production, in their turn, actively influence the productive forces. They can both ensure their rapid development and can slow them down, whereas in certain conditions they can even doom the productive forces to partial deterioration. When the relations of production in a given society cease to correspond to the level of the productive forces, there appears the objective necessity to replace the obsolescent mode of production by a new and more progressive mode. The replacement

of one mode of production by another is effected by a social revolution. The necessity of a social revolution is determined by the general economic *law of correspondence of relations of production to the nature and level of development of the productive forces* discovered by Marx. The mode of production of material wealth plays a commanding role in the system of material and spiritual conditions of social life. Society itself, its ideas, theories, political views and institutions generally depend on the given mode of production. History has seen five successive modes of production: primitive communal, slave-owning, feudal, capitalist and communist. The succession of modes of production is an objective process of human society ascending from primitive production and life to communism, the most progressive society. The contradiction between the developing productive forces and the relations of production that lag behind in their development, with private ownership of the means of production prevailing, is of an antagonistic nature manifested in the *class struggle*. The victory belongs to the class which is committed to the progressive mode of production. Under socialism, this contradiction is not antagonistic, and is resolved by society by consciously adjusting the relations of production to conform to the developing productive forces. A definite mode of production, where the superstructure corresponds to the economic basis, constitutes a *socio-economic formation*.

Monetary Control, a specific form, dictated by the existence of commodity-money relations, for controlling the activities of socialist enterprises working on the principle of cost accounting. It is implemented, above all, through a plan that establishes the expenses to incomes ratio for the enterprise (the recoupment principle). Subject to control are also labour and means of production inputs, implementation of plans for volume and variety of output sold and *profitability*, the ratios between the social value of the products, their production costs and the money to be transferred into the enterprise

economic incentives funds, and the correspondence between the financial state and the course of plan implementation. Consequently, the collectives of enterprises are encouraged to do better in serving the interests of all the people by manufacturing products society needs, to maintain the planned socially-necessary labour inputs and work for their reduction, and increase the productivity of social labour. The financial system has a special role to play. The bank supervises the operations of every enterprise and its financial situation as evidenced by the state of its bank account, reports, and input-output ratios. The bank supervises the implementation of the production programme, the use of material resources and the wage fund, and surplus accumulation. When necessary, the bank urges the association (enterprise) and superior bodies to improve its work. The bank may impose special crediting and clearing regimes on enterprises that do not meet accumulation targets, incur unduly high losses, or do not take due care to maintain their *circulating assets*. The bank and financial bodies also employ monetary controls in collecting payments, granting short- and long-term loans, allocating funds for capital investment, and adding to circulating assets. Improvement of the *economic mechanism* calls for stricter monetary controls by the bank and expansion of its role as a mediator in settlements between suppliers and customers, and increasing the responsibility for settlements in the country's economy. The role of bank credit in creation of circulating assets in enterprises also increases. Enterprises exercise mutual monetary control in the framework of economic agreements with suppliers of materials and buyers of output. Financial penalties such as fines and forfeits are applied for failure to honour agreement obligations. Monetary control is a major tool for consolidating *cost accounting*.

Monetary Crisis, an acute imbalance of domestic credit and monetary systems, and of international monetary and financial relations between capitalist countries. It has a great impact on the economy,

as it heightens cyclical economic crises and social conflicts, and aggravates inter-imperialist contradictions. The term has a dual meaning: it designates both a chronic phenomenon, typical of the entire epoch of the *general crisis of capitalism* (general monetary crisis), and periodical disturbances in the stability of certain currencies caused by a cyclic economic crisis (particular monetary crisis). The general monetary crisis is characterised by the abolition of the *gold standard* and going over to inconvertible credit and paper money easily depreciated as a result of inflation. Between 1913 and 1975 in the USA, the index of domestic wholesale prices increased approximately fivefold, and the price of gold in dollars, eightfold due to these developments. Many other currencies depreciated to a still greater extent. Under the general crisis of capitalism, the preservation of the gold standard has proved impossible. During World War I the exchange of *banknotes* for gold was cancelled in most countries and many currencies depreciated. In the early 1920s a profound *inflation* struck Germany. Many countries, among them Britain and France, had the gold standard restored at that time, though in a somewhat curtailed form (minus the circulation of coins). The world economic crisis of 1929-1933 saw the collapse of the gold standard; the gold reserves were concentrated in the hands of governments and were only used in international settlements. In the 1930s, the monetary crisis developed some new features, such as an acute imbalance of payments and considerable vacillations in the *exchange rates*; currency blocs or zones emerged under the aegis of the US dollar, the British pound sterling and the French franc. Most capitalist countries introduced currency restrictions, and the free exchange of one currency for another was abolished. To overcome the monetary crisis by collective state-monopoly regulation, in 1944 the capitalist countries, with the United States taking the lead, established the *International Monetary Fund* to control and regulate international money relations. The post-war *monetary system of capitalism* is often referred to

as the Bretton Woods system, after the American town where an international conference met in 1944, at which a decision was taken to establish an International Monetary Fund. The 1940s and 1950s saw the domination of the United States in the world capitalist economy and monetary system. The dollar became the key reserve currency: other countries built up their reserves of international means of payment primarily in dollars, depositing them in US banks. The value of other currencies was expressed in dollars, and the USA could, to a certain extent, control the changes which occurred in the dollar parity of currencies through the International Monetary Fund. Between 1950 and 1967, the rate of inflation in the majority of the developed capitalist countries fell, a certain stability was maintained in the ratio between currencies (currency parity), and the currencies' mutual convertibility was reinstated; the monetary and financial position of many developing countries, however, remained difficult. Since 1967, the capitalist monetary system has plunged into crisis, primarily for the following reasons: militarisation of the economy; the deepening of inflation and its uneven development from country to country; disproportions and unevenness in the development of different countries and industries; deterioration in the global economic position of the USA, whose currency is the key reserve currency; greater cyclical vacillations in the capitalist economy; and sharp changes in raw material markets. In addition to these factors operating on the scale of the entire capitalist world, the economy of each major capitalist country has its own specific features that jeopardise its monetary system. Economic difficulties have also become worse in many developing countries. The most important manifestation of the monetary crisis in domestic money circulation is the aggravation of inflation. Prices rose especially rapidly in 1973-75 (in many developed countries by 20 to 25 per cent annually) and the process continued in subsequent years. Today, there is a great imbalance of payments in international economic relations. Profound changes

have occurred in the sphere of international economic settlements, exchange rates, functions of gold, and the structure and amount of currency reserves. As a result, several major principles of the Bretton Woods system are no longer valid. In 1971, the USA stopped exchanging dollars for gold according to the official parity established for foreign governments and central banks. In 1971 and 1973, the dollar was devalued. Since 1978, the gold content of the currencies of the IMF member countries has been officially abolished, so that central banks no longer use gold in international settlements. Gold is bought and sold only at prices dictated by the free market. In the summer of 1980, the price of gold was 633 dollars per ounce. In 1971-73, the system of so-called floating exchange rates prevailed, under which stable currency parity was rejected and constantly changing market rates of exchange accepted in its stead. The system was officially recognised by the Kingston (Jamaica) Agreement of 1976, which acquired legal force in 1978. Serious vacillations in exchange rates have sharply changed the ratios of prices in different countries; they have a great impact on the competitiveness of commodities and the movement of capital, and aggravate contradictions between capitalist countries. The rate of the US dollar has sharply declined against other currencies, particularly the deutsche mark and the Japanese yen. The structure and distribution of currency reserves have also changed. The reserve role of the pound sterling has declined, and of the dollar somewhat as well, while that of the mark and the yen is strengthening. Besides the industrially developed countries, several oil-producing countries have also accumulated large reserves, Saudi Arabia in particular. In 1970-72, special international reserves allocated by the International Monetary Fund — special drawing rights (SDR) — were put into circulation. However, this did not produce any noticeable lessening of the monetary crisis. The monetary system of capitalism is characterised by the process of evolution and adaptation to the changing conditions of global

development. Even so, the fundamental causes of the monetary crisis persist.

Monetary Reform, complete or partial change of the monetary system by the state, whereby one monetary system is replaced by another or some monetary unit by another. Monetary reforms are used under capitalism for the benefit of the bourgeoisie and usually entail increased exploitation of the working people and lower living standards. Following World War II monetary reforms were carried out in many capitalist countries (Belgium, France, Denmark, the Netherlands, Norway, etc.) with a view to overcoming the consequences of the war-time disarray of money circulation. These reforms came down to exchanging greatly depreciated banknotes for new, inconvertible banknotes. At the same time, fixed commodity prices were abolished, so that the capitalists could inflate prices and reduce the *real wages* of the working people. The reduction of the money stock in circulation resulting from the monetary reforms was short-lived. The resumed arms race and the related state budget deficits led to a growth of the money supply and a new depreciation of the money worth. In all capitalist countries, the chronic inflation, inherent in the present-day stage of the *general crisis of capitalism* and coupled with the monetary crisis, has been spiralling. The devaluations in Britain, the USA, and many other capitalist countries in the late 1960s and early 1970s did not succeed in overcoming the disruption of their money circulation. In the USSR, a monetary reform was carried out shortly after the war, in December 1947. In the war years, more money had been issued than justified by the demand from commodity circulation, and the prices on the collective farm market had increased significantly, even though the Soviet state had, under these difficult conditions, managed to maintain a stable level of prices for means of production, consumer goods in normalised trade, and stable rates for communal and transport services. As a result of the reform, the hard rouble was

restored and money circulation consolidated. The losses sustained by the working people in the ten to one exchange of the old money for the new were insignificant and short-lived because they were offset by the material gains from the cancellation of rationing and from price reductions. Monetary reforms were also carried out in late 1940s and early 1950s in other socialist countries (Bulgaria, Hungary, Poland, Romania, Czechoslovakia, etc.) in order to overcome the consequences of the war in money circulation; they were implemented in a way designed to protect the interests of the working people.

Monetary System, a law-enforced form for managing the money circulation in a country; it includes: 1) the commodity that acts as the *universal equivalent*; 2) a monetary unit, or standard of price; 3) legalised means of circulation and means of payment (coined money, paper money, and credit money, banknotes); 4) mintage regulations (for gold coins and small coins of various alloys); 5) regulations for issuing banknotes and paper money. The initial monetary system under capitalism was bimetallism, whereby the function of the measure of value was performed simultaneously by silver and gold. In the last third of the 19th century, most countries used a monometal (gold-based) system. Gold money was freely coined, other kinds of money freely exchanged for gold coins, and gold was freely transferred between countries. During World War I, most capitalist countries went over to a paper money system whereby the function of the measure of value is performed by gold and that of means of circulation and payment by banknotes and paper money that cannot be exchanged for gold and so can depreciate. The period of the *general crisis of capitalism* is characterised by the inflationary circulation of paper money. The heavy blows sustained by the monetary and financial systems of imperialist countries and the devaluation of the currencies in scores of countries, especially of the US dollar, is evidence of a further dramatic weaken-

ing of the capitalist monetary systems at the current stage of the general crisis of capitalism. In socialist society, the monetary system is planned money circulation. The unity of the economic nature of all denominations (banknotes, treasury notes, and small coins) makes it possible for the bank of issue of the socialist country to be the only issuing body on its territory. The money circulation is managed by planning production and commodity circulation, notably of the wage funds and commodity turnover. The plan for cash turnover of the bank of issue, or the cash plan, enables the government to arrive at the sum to be removed from circulation or the marginal sum to be issued during the plan period. The socialist economic system creates the necessary conditions for stable money circulation. The amount of money in circulation and the needs of commodity turnover coincide because the bulk of commodities is controlled by the government, circulated at planned prices, and, together with the gold reserve, ensures monetary stability. The absence of *economic crises of overproduction* in the socialist economy makes the monetary crises caused, under capitalism, by falling demand for products, equally impossible. The stability of money circulation in the socialist countries is also enhanced by balanced state budgets and the state currency monopoly, the exclusive right of the socialist state to make deals involving foreign currency and other monetary values, and the concentration of all currency reserves in its hands. The state currency monopoly protects the money circulation in the socialist countries from the effect of the elemental forces of the capitalist monetary market, from the *inflation* and *monetary crises* inherent in today's capitalism.

Monetary System of Capitalism, form of organisation of monetary relations embracing domestic monetary and credit circulation and the sphere of international settlements in the capitalist countries. It emerged initially within the boundaries of individual countries, but as the world capitalist market (see *World Market, Capitalist*)

talist) evolved, it expanded into a world monetary system based on gold. The *gold standard*, i. e., a monetary system based on gold in the role of *universal equivalent*, helped ensure the stability of money circulation, the unrestricted exchange of national currencies and the free flow of capital from country to country. As imperialist contradictions heightened, the crisis of the capitalist monetary system (see *Monetary Crisis*) set in, as seen in the collapse of the gold standard and the introduction of paper money. Now gold, which no longer performs the functions of a medium of circulation and a means of payment, continues to underlie the world capitalist monetary system, since it has retained its functions of a measure of value, means of hoarding, and world money. The gold reserve is an important way of regulating the rate of exchange of capitalist currencies. The restrictions that the imperialist countries freely impose on the export of gold and the use of the dollar and the pound sterling as key (reserve) currencies have resulted in gold being used to a lesser degree in international settlements. The growing circulation of paper money has enabled the capitalist countries to resort to *emission* to defray expenses and has sharply accelerated the development of *inflation*, which is widely used to intensify the exploitation of the working people. Typical of the monetary system of imperialism is the greater interference by the capitalist state in the sphere of international settlements and domestic money circulation. State involvement in monetary relations became especially pronounced after World War II, when currency restrictions in the interest of monopolies were applied on a much wider scale than before, state banks began to play a much greater role, and *devaluation* became the norm. The *International Monetary Fund (IMF)* and the *International Bank for Reconstruction and Development*, both dominated by the USA, play a large role in the monetary system of imperialism, which is characterised by chronic deficits in the balances of payments, the increasing unevenness in the distribution of gold and cur-

rency reserves, and the systematic declines in the currency exchange rates of the major capitalist countries. Attempts by the IMF to utilise special drawing rights (SDR) as a new means of international settlement that would replace not only the dollar, but gold as well, have had no tangible effect in stabilising the monetary system.

Money, a specific kind of *commodity* which acts as a *universal equivalent* in commodity exchange; it is a product of the spontaneous development of exchange and of the *form of value*. Money emerged as a consequence of the development of *commodity production* and the growth of its contradictions. With the advent of money the entire world of commodities polarised into commodities and money. Money is the embodiment of *value*, of social wealth. It is a manifestation of the social labour concentrated in it and the social relations between people. Since money came into existence, the world of commodities has had a form for expressing its value, so money is a measure of the abstract social labour spent on manufacturing all other commodities; money expresses the value of commodities; particular, concrete labour expended in gold mining and embodied in gold, becomes an expression of the abstract social labour expended in the production of all other commodities. It is not until the product of concrete labour, the commodity, has been exchanged for money that the labour expended in its production is acknowledged by society. Money helps to take indirect stock of the social labour embodied in commodities. The functioning of money in the context of private ownership of the means of production turns it into a tool for exploitation of the working people. The essence of money manifests itself in its functions: 1. Money as a measure of value. In this function, money expresses the values of commodities as uniform, qualitatively identical and quantitatively comparable magnitudes. This is achieved by equating the value of all commodities to gold. Gold functions as the measure of value for all the commodities. A specific feature of this function is that money performs it ideally,

as mentally imagined money. To express the price of a commodity (monetary expression of commodity value), it must mentally be made equal to a certain amount of gold. The particular weight of gold specified by the state as the monetary unit is referred to as the *scale of prices*. 2. In its function as a means of circulation, money acts as the mediator in commodity circulation and must exist in reality. Money performs this function in a momentary form by constantly changing hands. The momentary nature of this process makes it possible to replace full-value money with less valuable money (e. g., copper coins) or paper signs of value. The function of money as a means of circulation is a further development of the contradiction of commodity production which is expressed as the time and space gap between the acts of purchase and sale. This fact engenders the formal possibility of crises. 3. The function of money as a means of forming hoards of money arises because the circulation process may be interrupted for some reason. Money ceases to circulate and settles down. This function requires full-value money in the form of golden coins and money material in the form of gold bullion. Accumulation of money as treasure is caused by the need for every commodity producer to have a certain reserve against the contingencies of the market. This function is also important in the regulation of money circulation. If gold is in short supply in circulation, it flows in from the treasures; if there is a surplus, it leaves the circulation sphere. 4. In the sale of commodities on credit, with deferred payment, in deals on money loans, in payment of taxes, ground rent, wages, etc., money performs the function of a means of payment. This function makes it possible for debts to be mutually cancelled, which means that less cash is required. 5. The function of world money is performed by money on the world market and in the international payment turnover between countries. Gold is the world money. The development of money's functions is a manifestation of the development of commodity production and its contra-

dictions. As capitalism emerges and develops, the role of money changes significantly. It becomes a tool for the exploitation of hired labour, for appropriating the unpaid labour of wage workers. The need for money in a socialist economy is attributable to the existence of commodity relations and the action of the *law of value*. Under socialism, money performs its function as universal equivalent of a specific kind, employed in a planned way for organising *cost accounting*, taking stock, and supervision of the production and distribution of social product, and of the measures of labour and consumption. The socialist state makes use of money to rationally run the economy, as a material incentive to enterprises and workers for expanding production, and for the steady improvement of living standards. The new social significance of money under socialism is that it embodies social labour united through socialist ownership, and so cannot become a tool of exploitation. The functions of money under socialism become functions of planned economic management.

Money Capital, a sum of money transformed into capital, i. e., *value* that engenders *surplus value* and is employed for exploiting other people's labour. Money capital existed as long ago as in slaveholding and feudal societies as independently existing *usury capital*. In bourgeois society, money capital turned into a subordinate functional form of *industrial capital*. *Circuit of capital* starts with it, because every employer must have, first of all, monetary funds to buy the necessary components for producing surplus value, these being labour power and means of production. The use of money capital for purchasing a special kind of commodity, *labour power*, is an expression of the economic relations between the bourgeoisie, as the owner of the means of production, and the proletariat, which is deprived of the means of subsistence. With money capital employers purchase labour power at its value (or often, below its value) but, during the working day,

the workers create new value that exceeds the value of their labour power by the amount of surplus value, which is appropriated without indemnity by the capitalists. By selling the commodities created by wage workers, the capital acquires the original money form, while the initially advanced money capital grows by a quantity equal to the surplus value. Consequently, use of money funds as money capital is an expression of the exploitation of wage workers by the bourgeoisie. In continuous circuit of capital, some money funds can be temporarily withdrawn from the production sphere and become relatively independent as *loan capital*.

Money Theories, bourgeois theories on the nature of money and the effect of money on the functioning of capitalist production. They originated long before capitalism came into existence, but did not flourish until the capitalist mode of production took over when commodity-money relations encompassed all spheres of economic activity. Under free competition capitalism, monetary theories applied chiefly to the nature and value of money, whereas, under monopoly capitalism, they concentrate on the use of credit money factors as levers on the market. The first trends to emerge in the bourgeois literature were metallism and nominalism. Metallism came into existence in the age of primitive accumulation, as a reaction to counterfeiting and debasement of money. Its adherents were mercantilists, who regarded precious metals as the chief form of social wealth. The basic error of the metallists was in identifying money with precious metals which, in their view, were money by their very nature. In the imperialist age, with the evolution of the capitalist crediting system and the emergence of various means of circulation, metallism lost its attraction for the bourgeoisie. Its ideas were resurrected after World War II in the works of the neo-metallists, who call for a restoration of the *gold standard* despite the fact that neither the economic nor the political conditions are right for this at the current stage of development of state-monopoly relations. The nominalistic theory denies the com-

modity nature of money, which is regarded as a symbol or conventional sign. In the Middle Ages, nominalism was used to justify the debasement of coinage by feudal lords and, at the time when capitalist relations were in the making, to explain the replacement of full-value metal money by credit money in the form of banknotes and funds in deposit accounts. In the early 20th century, these views were vigorously advocated by German economists Georg Knapp and Friedrich Bendaixen, who were spokesmen of German imperialism in its fight against Britain's "gold hegemony". The so-called state theory of money saw money as a product of state power and legal relations. With the consolidation of state-monopoly controls, nominalism became predominant in bourgeois literature and was utilised to justify theoretically massive issues of fiduciary paper money by the governments of capitalist countries. The fallacy of the nominalistic views lay, as Marx showed, in ignoring the commodity nature of money, confusing the function of the measure of value with the scale of prices, and attaching absolute value to the function of money as a means of circulation. Under free competition capitalism of the 18th and 19th centuries, the concept of a "value veil", expressed in the quantitative theory of money, was widespread. According to this theory, a change in the amount of means of payment in circulation has a direct and proportional effect on the level of commodity prices, money relations acting as a sort of "veil" for the actual (material-substantial) processes, and have no effect on the course of economic development. At a later stage, the quantitative theory became a major part of the neo-classical reproduction concept which advocated the idea that the capitalist economy was intrinsically coordinated and was capable of effective self-regulation through competition and price movements. The imperialist period has seen the emergence of several varieties of the quantitative theory of money. Following World War II, the doctrine of monetarism developed, which considered monetary factors as the principal motive force behind cyclical fluctuations in economic

activity and the national income (see *Neo-classical Trend in Bourgeois Political Economy*). A competitor of the quantitative theory in today's bourgeois literature is the theory of liquidity preference developed by the British economist John Keynes (see *Keynesianism*). He attributed the periodic overproduction crises to consumption lagging behind savings and saw the excessive saving of money by economic agents, excessive "liquidity preference", as a source of problems for capitalist reproduction. In his theory, variations in the amount of money usually affect the interest rate rather than the price level. Thus, by regulating money issues, the banking system can establish market interest rates that would encourage real capital investment. The overall mechanism of the monetary effect proposed by Keynes is superficial and unscientific. He ignores the existence of loan capital, directly relates the interest rate with the dynamics of means of circulation, and reduces the economic difficulties of capitalism to a shortage of money in circulation. Marx showed, however, that money, as it appears, generates only a formal possibility of overproduction crises which are manifestations of the irreconcilable contradiction between the social nature of production and private capitalist appropriation. Attempts to influence economic activity in capitalist countries by Keynesian recipes such as large-scale state budget appropriations covered by internal sales of government bonds, lavish credit, low interest rates, etc., have resulted in spiralling inflation and failed to eliminate the economic difficulties and unemployment.

Monopolies, Capitalist, big enterprises, firms, or amalgamations (unions) appropriating much of the production and marketing of a certain product and dominating the market in order to obtain *monopoly superprofit*. The *monopoly price* is used to attain monopoly domination on the market. The appearance of the monopolies is a logical result of the concentration and centralisation of production and capital. The dominant position of the

monopolies is the initial indication and principal economic feature of *imperialism* (monopoly capitalism). There are various forms of capitalist monopolies, the most important being *cartels*, *syndicates*, *trusts*, *concerns*. As imperialism develops, the power and influence of the monopolies increase. Whereas initially monopolies established their foothold in heavy industry, they then brought under their control practically all sectors of the economy. In 1974 nearly 350 big monopolies representing only 0.002 per cent of the total number of companies in the capitalist world, employed two-thirds of the work force, and accounted for about 70 per cent of the assets and profits. Although they did manage to eliminate the dominating role of free competition, the monopolies did not get rid of competition which has assumed more diversified and sharper forms. Since World War II multibranch capitalist amalgamations have become especially widespread. They are characterised by a high degree of socialised capitalist production. New forms of international monopolies (see *International Monopolies*; *Transnational Monopolies*) appeared on this basis and as a result of the internationalisation of economic life. Today's big monopolies are characterised by a multi-industry organisational structure and are composed of a multitude of factories and sections. This complex organism is subordinated to the objective of rationally organising production. But the monopoly, based on private ownership of the means of production, is part of the spontaneous capitalist economic system. This contradiction between the organisation of production within the monopoly and the spontaneous, unplanned character of the capitalist economy as a whole is one of the contradictions of capitalism. As the monopolies develop this contradiction deepens and gives rise to systems of *state (government) regulation of the capitalist economy* and *state (government) economic programming under capitalism*. But this contradiction, like all the other contradictions of the capitalist world, cannot be resolved by capitalism itself. The monopolisation of the economy creates a ma-

terial base for the transition from capitalist to a higher stage of social production.

Monopoly Bourgeoisie, see *Classes, Social*.

Monopoly of Foreign Trade of the USSR, an exceptional right of the Soviet state to conduct economic relations with other countries. Following the nationalisation of the key means of production after the Great October Socialist Revolution, the Soviet state introduced, in mid-December 1917, a state monopoly of foreign trade in the most important products. On 29 December 1917, state control in the form of permits and prohibitions was established over foreign trade as a whole; products began to be exported and imported in the country only at the instructions of state bodies. Thus, the organisational and economic prerequisites were created for the state to monopolise foreign trade. On 22 April 1918, the government published a decree On the Nationalisation of Foreign Trade, according to which foreign trade enterprises belonging to private capital were made state property, and state monopoly introduced in all foreign trade. The People's Commissariat for Trade and Industry became the body supervising nationalised foreign trade. Under the Constitution of the USSR foreign trade and other kinds of foreign economic activity are within the jurisdiction of the USSR as represented by its higher bodies of state authority and administration. The monopoly of foreign trade is essential for the development of the socialist economy, protecting it from spontaneity and monetary upheavals of the capitalist economy, as well as for ensuring the effectiveness and improvement of the structure and balance of foreign trade. Historically, state monopoly of foreign trade has been for the USSR one of the most important conditions for industrialisation (see *Industrialisation, Socialist*), for achieving technical and economic independence and the successful building and development of socialism. The organisational forms of implementing foreign trade monopoly change with the change of economic and foreign political

conditions. Today state management of foreign trade is the jurisdiction of the Council of Ministers of the USSR, Ministry of Foreign Trade of the USSR and the State Committee of the Council of Ministers of the USSR for Foreign Economic Relations (the latter provides economic and technical assistance to other countries, and furnishes sets of plant for industrial and other facilities built abroad). Soviet trade delegations abroad exercise Soviet rights in the realm of foreign trade monopoly. The independence of the Soviet foreign trade associations as chartered corporations is combined with their subordination to the state foreign trade monopoly regimen. All-Union foreign trade associations conduct export and import operations for a certain range of goods, basing themselves on and acting within the framework of their Rules, foreign trade plans, export and import permits and licences. The Soviet government supervises and directs the activity of foreign trade associations and organisations which are granted the right to operate on the foreign market. Besides foreign trade associations, the right to conduct foreign trade is granted to other organisations. Centrosoyuz, the USSR Chamber of Commerce and Industry, and several other organisations (Intourist, the Bank for Foreign Trade and the USSR Academy of Sciences) are also granted the right to operate on the foreign market. The state currency monopoly following from the state monopoly of foreign trade and supplementing it is the sole right of the state to conduct all transactions with gold and foreign currency. The foreign trade monopoly as practised in the USSR is of great international importance. Other socialist and several developing countries have made wide use of Soviet experience in this field. Foreign trade policy is an inalienable part of the Soviet foreign policy aimed at ensuring favourable global conditions for building communism in the USSR, for consolidating the positions of world socialism, for supporting the national liberation struggle, and for consistent implementation of the principle of peaceful coexistence between countries with different social systems.

Monopoly Price, a specific form of the market *price* of the commodity, deviating from the *value* and the *price of production* as a result of the monopoly domination on the market of the seller or buyer of the commodity and ensuring *monopoly super-profit*. There are two kinds of monopoly price: monopoly-high, at which monopolies sell their products, and monopoly-low, at which they buy from non-monopolised producers raw materials or products for processing. Monopoly prices existed, although on a limited scale, in the pre-monopoly period of free competition, but at that time they were established only for certain rare agricultural and extractive industry products. Monopoly price under *imperialism* is a regular phenomenon. Monopolies that dominate production and circulation can maintain market prices below or above production prices for a long period and on a broad scale. To maintain monopoly prices on the market, monopoly amalgamations: 1) obstruct the free flow of capital, thus preventing rivals from beating down these prices or convince them to maintain them; 2) limit the supply of the commodities to the domestic market without hesitating to reduce production somewhat or to destroy "excessive commodities", compensating for the losses entailed by setting high prices; 3) hamper the free movement of prices on the world market, doing so by forming international cartels; 4) use the force of the capitalist state to protect the domestic market from foreign competition through high customs tariffs on imported goods. The monopolies increase their influence on prices by various initiatives of the bourgeois state: direct control over price, tax and tariff policy, subsidies to monopolies, and state purchases. Monopolies make use of the state raising the price of military orders and of purchases by government organisations. Monopoly prices do not abolish the operation of the *law of value* as the law of prices of commodities. What monopolies gain, non-monopoly producers and the working people in capitalist countries lose, as do the people of the developing countries, who frequently have to sell their products at monopoly-low prices and buy industrial articles at monopoly-high prices.

Thus, the contradictory interests of different classes, groups and states clash in the monopoly price in current capitalist society, which are constantly heightening and manifest themselves in imperialist class contradictions.

Monopoly Rent, a special form of capitalist ground rent, a part of the *surplus value* created by wage labour and appropriated by landowners. It emerges when products are sold at the *monopoly price* exceeding their *value*; it exists in agriculture and the extracting industries, and is also set for plots of land in towns. In agriculture monopoly rent makes its appearance with land possessing exceptional properties, which make it possible to grow rare crops or special products for which demand considerably exceeds production capabilities, an example being grapes of special grades for making rare wines. In the extracting industry monopoly rent appears in areas where rare metals or minerals are mined, and whose market demand considerably exceeds the extraction possibilities. As a result the market price is generally higher than their value. In all these instances the capitalist leasing a plot of land has to pay its owner an exceptionally high rent, which besides *absolute rent* and *differential rent* (see *Differential Rent under Capitalism*) also includes monopoly rent. With the development of large cities monopoly rent for urban land of prime location from the point of view of building industrial and shopping centres, large commercial buildings and flats also begins to increase. Here it operates in the form of excessively high payment for renting premises or very high housing rent. As the demand for rare products changes and mineral deposits are exhausted, or as a result of the scientific and technological revolution certain areas lose their exclusiveness while other areas become so. As a result monopoly rent no longer exists in one area and appears in others. On the whole, as rare areas become more and more scarce, there is a tendency to increase monopoly rent.

Monopoly Superprofit, a specific form of profit, the result of the concentration in

the hands of the monopolies of the decisive quantity of the means of production, scientific and technological discoveries and inventions, minerals and natural resources, means of communication, money capital, and marketing. The very nature of the monopolies predetermines the extraction of monopoly superprofit, without whose appropriation capitalists would not have been economically interested in monopoly enterprises. "...Monopoly yields *superprofits*, i. e., a surplus of profits over and above the capitalist profits that are normal and customary all over the world" (V. I. Lenin, *Collected Works*, Vol. 23, p. 114). In the epoch of imperialism monopoly superprofit (or monopoly-high profit) becomes a permanent factor, whereas in the epoch of free competition it was sporadic. Monopoly superprofit includes: a) an excess of surplus value created at the monopolies' enterprises because of a higher labour productivity (signifying a higher degree of exploitation) than at non-monopoly enterprises; b) part of the value of labour extracted from the workers by paying for this labour at lower prices than the value of the work force and by selling them consumer goods at a price exceeding the value and the price of production of these goods (especially during periods of inflation); c) part of surplus value produced at non-monopoly enterprises, but appropriated by the monopolies through the distribution sphere by selling these enterprises their products at high prices and buying those enterprises' products at artificially lowered prices; d) the value of the surplus product and part of the necessary product of small producers in urban and rural areas appropriated by the monopolies in the distribution sphere through the difference in selling and purchasing prices; e) the value created in the countries where productive capital is invested, which is exported by the monopolies, particularly in the developing countries where wages are especially low; it also includes part of the surplus value of enterprises of the local capital, which monopolies have invested in, the value of the surplus and part of the necessary product of small producers of the country where capital has been invested,

appropriated by foreign monopolies through circulation via non-equivalent exchange, etc. Monopoly superprofit is also extracted through various financial operations. The drive for monopoly superprofit leads to heightened antagonisms in the *world capitalist economic system* not only between the monopoly bourgeoisie and the working class, but also between the monopoly bourgeoisie and all working people, as well as the non-monopoly bourgeoisie both within national borders and within the framework of the entire antagonistic capitalist system. As a result the objective foundation is created for building an anti-monopoly front on the international scale.

Moral Incentive, see *Material and Moral Incentives*.

Mortgage, a sum of money granted on the security of real estate (primarily land) for a long period (up to 20-30 years); one of the earliest forms of credit. As capitalism established itself, it concentrated in special mortgage banks. When he mortgages his land, the debtor only formally re-

tains his property rights, while in fact he assumes the position of a tenant who pays the creditor rent in the form of *interest*. Mortgage largely contributes to the subordination of agriculture to finance capital, to the differentiation of peasantry, to the concentration of land in the hands of big capitalist farmers, and to the expropriation of working peasants. The payment of interest in mortgage indebtedness absorbs almost all incomes of peasants, and failure to pay off one's mortgage in time means that the land can be sold by auction. These processes have been greatly widespread during the *general crisis of capitalism*, especially today. In the USA, farmers' mortgage indebtedness rose from 5,500 million in 1950 to 56,700 million dollars in 1977, with the mortgage rate often amounting to seven per cent and higher over the period. Almost one-third of all American farmland is mortgaged in banking institutions. The mortgage indebtedness of the farmers of the FRG, Italy and other capitalist countries multiplied over the same period. In the socialist countries, land is not an object of purchase and sale, and accordingly there is no such thing as mortgage.

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National Economy, the historically formed complex of branches of production in a given socialist country, interlinked through the division of labour (see *Social Division of Labour*). The national economy includes the branches in the sphere of material production, where the social product is created, and the branches of the non-production sphere, which provide non-material services (see *Production Sphere; Non-production Sphere*). Material production is, in turn, subdivided into branches manufacturing means of production (Department I of social production) and branches manufacturing consumer goods (Department II) (see *Reproduction*). The prerequisites for creating an economy as an integrated whole were formed for the first time under capitalism during the formation of national states on the basis of developing *productive forces*, a deepening social division of labour, specialisation of the production branches, the appearance of a national market, and large-scale mechanised production. The economy under capitalism is based on private ownership of the means of production and exploitation of wage labour (see *Exploitation of Man by Man*); it develops, in accordance with the economic laws of capitalism, anarchically, in a cyclical way, subordinated to the main goal of capitalist production — the pursuit of profit. More vigorous interference by the state in the economy cannot overcome antagonistic contradictions and the spontaneous character of economic development, periodical crises, monetary upheavals, *inflation*, *unemployment*, etc. Under socialist conditions, the national economy is based on public ownership of the means of production, the labour of workers free from exploitation, actual implementation of the right to work, and on the universal character of labour. The socialist national economy develops in a planned way, at a rapid pace, on the basis of socialist *economic laws*; it is aimed at the

fullest satisfaction of the growing material and intellectual requirements of the population. The *aggregate social product* belongs to the working people. The national economy is managed on the basis of state economic and social development plans, due account being taken of the branch and territorial principles, and centralised management being combined with the economic independence and initiative of enterprises (associations), on the basis of active participation by the working people in management. This makes it possible to make full use of the existing material and labour resources in the interests of society as a whole and of each of its members (see *Democratic Centralism in Economic Management*). The economy in the USSR constitutes an integrated national economic complex embracing all links of social production, distribution and exchange, and ensuring, on the basis of the socialist social division of labour, a combination of the economic interests of individual constituent republics and of the entire country. Developed socialist society ensures all the necessary conditions for the planned formation of a progressive branch structure of the national economy complying with the tasks of building the *material and technical base of communism*, and of ensuring a steady rise in the *efficiency of social production* and the people's well-being. The scope of the national economy grew immeasurably as socialism was being built in the USSR. Multi-branch industry, large-scale agriculture and advanced science have become its foundations. The structure of social production is being further improved. The branches determining *scientific and technical progress*, a growing output of farm produce and consumer goods and the expansion of the services sphere for the population are developing at an accelerating pace. The distribution of the productive forces is being further improved. The fundamental advantages of the national economy under socialism are graphically illustrated by the faster development of socialist production and the steady increase of the standard of living. The national economies of the socialist countries are closely interlinked and form the *world socialist economic system*. Espe-

cially close economic, scientific and technical bonds have taken shape and are developing between the member-countries of the Council for Mutual Economic Assistance (CMEA) on the basis of the international socialist division of labour (see *Division of Labour, Socialist International*), this reflecting the objective process of socialist economic integration.

National Income, newly created value on the scale of the entire national economy of a particular country; part of the value of the gross output of the national economy minus the means of production expended over a certain period (a year). In its physical form, the national income consists of newly manufactured *means of production* intended for expanding production and increasing reserves, and of the entire mass of *consumer goods*. In capitalist society the national income is equal in value to the sum of *variable capital* and *surplus value* ($v+m$). Like the *aggregate social product*, the national income is created by productive labour in the sphere of material production. The increase in the physical volume of the national income depends directly on the growth of *labour productivity*, the number of workers engaged in productive work and thrifty use of the means of production. In capitalist countries the national income does not grow steadily; its growth is interrupted owing to the anarchic nature of capitalist production, *economic crises of overproduction*, the underloading of enterprises and *unemployment*. Under capitalism, the national income is distributed in the interests of the exploiting classes, who appropriate its lion's share. Under socialism, the national income includes the value created by the necessary and surplus labour of the workers. Since commodity-money relations exist under socialism, the national income as a whole and its components also have a value form. The national income of socialist society is the most general indicator of the economy's development and of the growth in the well-being of the working people, to whom it belongs in full. The growth of the national income

is ensured by the rising productivity of social labour, the *efficiency of social production* on the basis of *scientific and technical progress* and the increase of the number of workers engaged in material production. In socialist countries, the national income grows faster than in capitalist ones. The national income in socialist society is distributed and redistributed in a planned way and is subordinated to providing for expanded reproduction (see *Reproduction, Socialist*) and a steady growth of the people's well-being. As a result of the distribution of the national income, implemented in the production sphere, the following initial incomes are formed: (a) the *centralised net income of the state*; (b) the net income of socialist enterprises; (c) the net income of cooperative enterprises; (d) the personal incomes of production workers. The national income is redistributed on the basis of the initial distribution in order better to satisfy social requirements, speed up the development of the progressive branches of the economy, ensure rational territorial distribution of production, meet the requirements of the *non-production sphere* and the workers engaged in it, and also to maintain disabled members of society. The national income is redistributed through the financial and credit system, mainly the state budget, the services of cost-accounting enterprises and organisations in the non-production sphere being paid for through the mechanism of planned price formation. Two major funds are formed as a result of the distribution and redistribution of the national income: the *accumulation fund* and the *consumption fund*. In the socialist countries, approximately three quarters of the national income are used to satisfy the growing material and cultural requirements of the population, i. e., go into the consumption fund, while a quarter of it — for the expansion of production, i. e., goes into the accumulation fund. Under socialism, there are no antagonistic contradictions between the accumulation and consumption funds. Accumulation being the source of expanded reproduction, is also an indispensable condition for the steady growth of the material base for

consumption. The economic policy of the socialist state ensures an optimal combination of accumulation and consumption at every stage in the building of communism in order to create the *material and technical base of communism*, ensure high living standards and win the economic competition with capitalism.

National Wealth, the aggregate of material boons possessed by society. Depending on the dominant *mode of production*, it is owned either by society as a whole or by its individual classes, groups or persons. Under capitalism, the exploiting classes own the greater part of it. Under socialism, the national wealth is the accumulation of material wealth (aggregate of the *means of production* and *consumer goods*) created by the labour of previous and present generations, as well as the natural resources drawn into economic turnover. The production, scientific and technical experience of the working people plays a major role in the growth of national wealth. Natural resources not yet drawn into socialist reproduction are public property, i. e. potential national wealth. All the material wealth created by labour and constituting part of the national wealth are divided into the following parts, depending on their significance: (1) *fixed production assets*, which include the means of labour (machine tools, plant, production buildings, etc.) and *turnover funds*, which include objects of labour subjected to preliminary processing (raw and other materials, fuel, etc.); (2) the commodity reserves of the national economy. These include, first, *circulating funds* — reserves of finished output in the stores of socialist enterprises and trade organisations, channelled into trade in a planned way; second, the stocks of products and insurance reserves of the national economy — part of the output intended for eliminating possible disproportions or for special use; (3) *non-production assets*: the housing fund, cultural and everyday services funds (schools, hospitals, theatres, cinemas, museums, etc.); (4) the personal property of the population — houses, furniture, household appliances, clothing, etc.; (5) natural

wealth drawn into reproduction — farm fields, forests, waters, tapped mineral deposits, reserves of hydropower, etc. Under socialism, the national wealth belongs to the whole of society or to individual work collectives, public organisations or, finally, to individual families and members of society. It grows rapidly as social production develops, and accumulation and consumption funds increase, and also on the basis of the involvement of natural resources in the economy, the amassing and use of know-how and production experience, and growing mastery over nature. The growth of the national wealth influences the dimensions and the rate of the expanded reproduction of the *aggregate social product*, expands society's material possibilities for improving working conditions, and raising the people's material and cultural standards. Today, the Soviet Union possesses tremendous national wealth amounting to 2.5 trillion roubles (excluding the value of the land, mineral resources, and forest).

Nationalisation, Capitalist, the transition of enterprises and production branches from being the private property of individual capitalists or associations of them to being the property of the capitalist state, acting as an aggregate capitalist. Very often it serves as a method of shifting the burden of financing capital-intensive branches and low-efficiency production on to the working people. In developed capitalist countries, nationalisation is a manifestation of *state-monopoly capitalism*. Capitalist nationalisation increases the interference by the capitalist state in reproduction in the interests of monopoly capital. The war industry branches, and also transport, communications and other branches of the *infrastructure* are the first to be nationalised. Former owners usually receive considerable compensation, at times exceeding the cost of the nationalised property. The nationalisation of private enterprises in the 1930s in Britain, France and certain other capitalist countries, and the nationalisation of a number of industries in Britain from 1945 to 1951 are

pertinent examples. Nationalisation in capitalist countries is also caused by political, military-strategic and fiscal factors. Nationalised enterprises are, as a rule, managed by their former owners, who receive big salaries. After enterprises have been retooled and their profitability raised, the state often hands them back to individual capitalists and monopolies, in other words, denationalises (reprivatises) them. Capitalist nationalisation, under certain conditions (for instance, when trade unions obtain access to the management boards of nationalised enterprises), may be progressive in character, restricting the power of the monopolies and creating the requisites for a certain improvement in the condition of the working people and for their closer cohesion. This is why the programmes of the communist parties in a number of capitalist countries envisage a struggle for nationalisation, which would allow them to organise the management of nationalised enterprises on bourgeois-democratic principles. Bourgeois nationalisation as a form of the socialisation of production facilitates the creation of the requisites for socialism. In the developing countries, nationalisation is usually directed against foreign monopolies and the policy of *neo-colonialism*. It is a means of anti-imperialist struggle for ensuring the economic independence of the young states, since a state sector is created as a result of the nationalisation of industrial enterprises, transport and banks (see *State Sector of the Economy of the Developing Countries*).

Nationalisation of the Land, abolition of private ownership of the land (surface, bowels, water, forests), which is turned into the socialist property of the whole people. Under capitalism, the bourgeoisie does not nationalise the land, since it owns a considerable part of it itself and fears any sallies against private property. The transition of the land from the private ownership of landlords and capitalists to the ownership of the socialist state creates vast opportunities for a gradual transition of the peasantry to socialist forms of farming. In the USSR, the land was nation-

alised as a result of the Great October Socialist Revolution. On October 26 (November 8), 1917, a Decree on Land was adopted at the Second All-Russia Congress of Soviets. Private ownership of the land was abolished and it was declared state property (belonging to all the people). All landlords' estates were confiscated, while their mansions were declared state property and handed over to local bodies of Soviet power. The greater part of the nationalised land was given over to peasants for their free use. For this purpose, the peasantry received over 540 million acres of land which had previously been privately owned including nearly 135 million acres confiscated from the kulaks (rich peasants), and was freed from annual rent payments to landlords, as well as from expenditure on buying land to the tune of 700 million roubles in gold, not counting the rent payment, which, in a number of outlying regions of Russia, the landlords had levied in kind. The peasants were freed from paying back their debt to Zemelny Bank, standing, as of January, 1, 1916, at 1,323 million roubles in gold. The abolition of private ownership of the land and its turning into the property of all the people facilitated the transition in the USSR to a public working of the land, to the collectivisation of agriculture (see *Socialist Transformation of Agriculture*). In the socialist countries of Europe and Asia (excluding Mongolia, where all the land was also nationalised), due to their specific historical development, the state nationalised only some of the land. Most of the land confiscated from landlords became the property of the toiling peasants. The victory of the socialist system in the countryside ensures complete elimination of private ownership of the land.

Nationalisation, Socialist, the revolutionary expropriation from the exploiting classes of the means of production and their transformation into the property of all the working people in the person of the proletarian state. Socialist nationalisation eliminates the basis of exploitation of the working people. Means of production cease to be tools for appropriating the labour of

others. The transformation of the main means of production into the property of all the people means the consolidation of the socialist *relations of production*; it subordinates the development of production to the interests of society as a whole. Socialist nationalisation differs radically from the capitalist one (see *Nationalisation, Capitalist*). In replacing private capitalist ownership of the means of production with means of production belonging to the capitalist state, the latter is governed by the interests of the entire capitalist class, safeguards and strengthens the capitalist system. Socialist nationalisation may be implemented by complete and gratuitous confiscation of the property of the exploiting classes or by partial redemption of the means of production belonging to the exploiters. The choice of methods of socialist nationalisation depends on the balance of class forces at home and abroad and the resistance put up by the exploiting classes to the measures taken by the proletarian state. Following the triumph of the Great October Socialist Revolution, the bourgeoisie in Soviet Russia organised a fierce struggle against Soviet power; this took the form of counter-revolutionary revolts, conspiracies, and sabotage, which developed into a civil war. The bourgeoisie gave active support to foreign military interventionists. The Soviet government had to nationalise by means of force and complete confiscation the main means of production and banks belonging to big capital. Between December 1917 and February 1918, a large number of industrial enterprises whose owners were engaged in sabotage and organised counter-revolutionary conspiracies, were nationalised in Soviet Russia, along with ones belonging to capitalists who had emigrated. On December 27, 1917, the Soviet government nationalised banks financing counter-revolution, sabotaging Soviet undertakings, and violating the control exercised over them by the working class. Foreign trade was nationalised on April 22, 1918, and on June 28, 1918, a decree was adopted nationalising large-scale enterprises in all industries. The Soviet authorities also

confiscated the means of production belonging to landlords and effected the *nationalisation of the land*. Socialist nationalisation deprived counter-revolution of an economic basis for struggling against Soviet power. In other countries that have taken the socialist road the process of socialist nationalisation was longer. When the revolution was anti-imperialist, anti-fascist and anti-feudal in character, and the people's democratic system performed the functions of a revolutionary-democratic dictatorship of the working class and the peasantry, landed estates were confiscated by force, without compensation, and then the greater part of them was handed over to the peasants, while the remainder was nationalised by the state. Besides, enterprises and banks belonging to the bourgeoisie of fascist states, the property of capitalist traitors and collaborators with the fascists were also confiscated by the state. These measures were not only anti-fascist, but also anti-imperialist in character; they undermined the economic basis of monopoly capital and thus facilitated the bourgeois-democratic revolution's development into a socialist one. At the stage when the popular-democratic power began to carry out its functions as a dictatorship of the proletariat, industry and the banks were also nationalised. In the people's democracies, the proletarian revolution took place under new historical conditions: there existed the USSR, a country where socialism had triumphed; the international working-class movement and the union of the proletariat with the rest of the working masses had grown stronger, while the positions of capitalism throughout the world had become weaker. This made it possible to nationalise not only by uncompensated confiscation, but also by partial redemption of enterprises from the bourgeoisie. The nationalisation of the main means of production was the basic method for creating a socialist economic structure that, in later years, has exercised undivided rule as a result of transforming the small-scale private property of the peasants and craftsmen into cooperative socialist property. Alongside this, socialist nationalisation

is but the beginning of the socialist socialisation of production. After the socialist revolution, the proletariat has to fulfil the task of socialising production not in word, but in deed. This means that the revolution in property relations does not come down to a single act resulting in the basic means of production becoming the property of all the people. The working people have to become thrifty masters of production, accustomed to their new position with a vested interest in the success of their work collectives and of the entire country, and with a developed collective consciousness and behaviour. The activity of each enterprise has to be subordinated to that of society as a whole. Production has to be managed in a planned way, on the basis of joint social means of production. To socialise production in deed means to master the art of managing the national economy throughout the country, organise the accounting of production outlays, the distribution of manufactured goods, control over the use of resources, etc. Lenin emphasised the importance of teaching all the working people to manage affairs of society and production. "Confiscation can be carried out by 'determination' alone, without the ability to calculate and distribute properly, whereas socialisation cannot be brought about without this ability" (V. I. Lenin, *Collected Works*, Vol. 27, p. 334). The socialist socialisation of production, which begins with nationalisation, ensures the creation and functioning of a fundamentally new type of socialised production, based on socialist ownership of the means of production and products of labour, the free labour of workers, and planned development of the economy in the interests of the working people.

Natural Indicators, quantitative or qualitative characteristics of the product in natural units, physical or conventional: units, metres (linear, square, cubic), tonnes, kilograms; complex or aggregated units (engines are planned in units, horse power, thousand kilowatt/hours); conventional units of measure (mineral fertilisers are measured in conventional units,

railway cars — in conventional double-axe cars, synthetic detergents and soap — in terms of a 40 per cent fatty acid content). The improvement of the *economic mechanism* in the USSR presupposes the setting, in the five-year plans for economic and social development, for industrial ministries, associations and enterprises the output targets for the main kinds of product in natural terms, including for export. The annual plans of associations and enterprises set output targets in natural terms for a fuller range of products than does the five-year plan. Natural indicators provide the basis for planning the production of industrial output so as to ensure balanced production and consumption and satisfaction of society's demand for means of production and consumer goods. Natural indicators are the basis on which the volume of output in value terms is determined. Today in the USSR plan fulfilment is assessed in value terms — by the volume of *realised output*, due account being taken of the fulfilment of the plans for deliveries to consumers in natural terms and the product range, in accordance with the concluded economic agreements. When the volume of output in value terms (when agreements are not fulfilled) exceeds the natural-material volume, it is not included in plan fulfilment, so natural indicators control the dynamics of the volume of output in value terms with respect to the interests of all society and individual consumers. When the state production plans in natural indicators are drawn up, the following are included: the products that determine the main trends, rates and proportions in the development of the economy; the most important consumer goods, determining the standard of living; output resulting from scientific and technical progress; defence-intended output, and export output. At the level of the ministries and departments of the USSR and Union Republics, the plans include: output within the range envisaged by the national economic plan; output for covering country-wide needs, inter-branch and inter-Republican deliveries; and also other kinds of output planned at the corresponding level.

Natural Riches, the sum total of natural material wealth which is the necessary natural condition for the existence of human society. Marx regarded the constant exchange of matter between man and nature as the law regulating social production, noting that human life itself would be impossible without this exchange (see *Karl Marx, Capital*, Vol. I, pp. 50, 474). Among the natural riches are the natural resources such as the following: solar energy, energy of tides, ebbs and rivers, intraterrestrial heat, water, land, the vegetative and mineral (including mineral-fuel) resources, and the resources of the animal kingdom. The natural resources are the universal means of production, an indispensable condition of the productive activity of society. They consist of renewable and non-renewable natural resources. The question of being careful with natural resources and of using them rationally is of tremendous socio-economic importance. The predatory, irrational utilisation of natural resources under capitalism depletes them, and further exacerbates the contradictions between capitalist countries and between economic regions of the capitalist world. The self-seeking policy pursued by the monopolies in utilising natural wealth is dictated by their striving to extract maximum profit (see *Profit, Capitalist*), while disregarding the long-term consequences of economic development. This is the main cause of the *energy crisis* gripping the majority of the capitalist countries. The utilisation of natural resources by the socialist countries is based on the advantages of the socialist economic system and includes a system of measures for the protection and planned transformation of nature. The non-renewable natural resources are intensively prospected, new types of raw materials and energy are developed, and what resources are available are being used more fully and effectively. Great importance is given to the comprehensive use of raw materials and to the reduction of losses in their extraction and transportation, as well as to the improvement of the technology and the more effective use of natural resources. The protection

and rational utilisation of natural resources are of prime importance for the communist parties and higher state and administrative bodies of the socialist countries. Measures are being drawn up and implemented in environmental protection, and the rational use and reproduction of natural resources. Labour expended to transform and augment natural resources makes them a key element of the *national wealth* created by the people.

Necessary Labour, labour expended by the workers in material production on creating the *necessary product* for the satisfaction of personal needs and reproduction of *labour power*. Under the primitive communal system, with its low labour productivity, virtually all labour was necessary labour and provided only scanty means of subsistence for the workers. In slave-owning, feudal and capitalist societies, the necessary labour constituted only part of the working day, as a result of the growing labour productivity, while the rest of it was *surplus labour*, the results of which were appropriated without compensation by the owners of the means of production. The latter tried to reduce the necessary labour, lower the living standards of the workers and increase surplus labour, the result being increased exploitation of the working people. Under modern capitalism, the duration of necessary labour is considerably less than that of surplus labour. In a slave-owning system, the division of labour and of its results into necessary and surplus was camouflaged by the production relations of slave-owning exploitation. Since the slave-owner got all the product, the impression was that all the slave's labour was surplus. Under feudalism, the necessary labour of the serf on his plot of land was clearly distinguished from surplus labour on the feudal estate, both temporally and territorially. The division of labour into necessary and surplus under capitalism is disguised by the wage form, which superficially acts as payment for all the labour of the wage worker. In fact, the wage corresponds only to that part of the value of the output newly created by the worker which is

produced by necessary labour: its volume varies around the value of labour power. In socialist society, there are no antagonistic contradictions between necessary and surplus labour. The division of labour into necessary and surplus reflects the specifics of the distribution of the aggregate product in the interests of all members of society. This division means that, during part of the working day, necessary labour creates output satisfying the comprehensive development needs of the worker in material production, and during the other part, surplus labour creates output for satisfying society's requirements for extended reproduction, maintaining workers in the non-material sphere of production and for satisfying other social requirements. This, in the final analysis, is also necessitated by the need for the comprehensive development of every member of society.

Necessary Product, the part of the newly created output manufactured by the workers in material production in the form of a stock of means of subsistence intended for the maintenance and reproduction of the workers' life under existing socio-economic conditions. It is created during the *necessary working time*, is specifically historical in character, reflects the changes in the material and intellectual requirements of the workers and assumes corresponding socio-economic forms under various social systems. The division of the entire product created by the worker into necessary and *surplus product* in antagonistic societies (slave-owning, feudal and capitalist) expresses the antagonistic contradiction between the working people and the exploiting classes. Under capitalism, it serves as the material basis for the reproduction of *labour power* as a commodity. In the pursuit of surplus value, capitalists try to reduce the necessary product to the minimum means required for the physical existence of the worker, and consequently increasing the surplus product. Under socialism, the necessary product is a material condition for reproduction and the all-round development of every worker. It includes material wealth and services satisfying the personal requirements of the

workers and dependent members of their families. Some of these services are for the joint use of all members of society (medical services, public education, etc.). The workers in socialist production receive the necessary product in the form of wages and payments and benefits from the *social consumption funds*. Under socialism, the necessary and surplus products do not express antagonistic contradictions inherent in all exploiting societies. Here, the surplus product is also necessary for the workers in material production, since it goes to satisfy the requirements of all the working people and is used for the development of social production, maintenance of the state apparatus and for other public needs.

Necessary Working Time, under capitalism, the part of the working day during which the worker reproduces the equivalent of the value of his labour power, i. e., the value of the means of subsistence necessary for maintaining himself and his family. Labour expended during this time is *necessary labour*, while the output manufactured — *necessary product*. In the pursuit of *surplus value*, capitalists try to reduce the necessary working time and increase the *surplus working time*. This is achieved by raising *labour productivity* in the branches where the means for the workers' subsistence (consumer goods) are created, and also in those manufacturing the means of production for the consumer goods industries. The increase in labour productivity in these branches reduces the value of the worker's means of subsistence, and this, in turn, lowers the value of labour power, reduces the necessary working time, and hence increases the surplus working time. The reduction in the necessary working time and increase in the surplus working time mean intensified exploitation of workers and aggravate the struggle waged by the working class against capitalists. Under socialism, the necessary working time is the time during which the worker in a socialist enterprise creates the part of the social product that ensures both the restoration of his energy and the all-round development of his physical and in-

tellectual abilities. Since, under socialism, there is no exploitation of man by man, all the working time, both necessary and surplus, is expended on producing output used for the benefit of the workers themselves. Under socialism, there are no antagonist contradictions between necessary and surplus working time.

Neo-classical Trend in Bourgeois Political Economy, one of the main trends in vulgar political economy, which appeared in the 1870s. Its founders were prominent bourgeois economists, such as Carl Menger, Friedrich von Wieser and Eugen Böhm-Bawerk (Austrian School), William S. Jevons and Léon Walras (Mathematical School), John B. Clark (American School), A. Marshall and Arthur C. Pigou (Cambridge School). On the one hand, this trend was a reaction to Marxism, with its comprehensive criticism of capitalism; on the other, it was an attempt by bourgeois economists to formulate rules for the optimal regime for managing capitalist enterprises under free competition and determine the principles for economic equilibrium in this system. Both tasks were tackled through a fundamental revision of both the subject matter and the method of political economy created by the classics of bourgeois economic thought (see *Political Economy, Classical Bourgeois*). The advocates of the new trend declared the subject of their research to be the so-called pure economy, regardless of the social form in which it is organised. The behaviour and subjective motives of the so-called economic man, guided by hedonism, i. e., deliberate pursuit of his correctly understood interests, became the only object of their research, rather than general economic categories, connected with the behaviour of social groups and classes. This "economic man", no matter what his role — consumer, capitalist or seller of labour power — always tries to maximise his income (or usefulness) and minimise his outlays (or effort). Finally, the advocates of the neo-classical school used the notion of marginal or additional value, describing the benefit obtained from each additional unit of output consumed (marginal

utility) or the expenditures of the production factor (marginal productivity) as the main quantitative category of analysis. The use of marginal quantities has opened up broad opportunities for the use of mathematical methods in economic analysis (e. g. differential calculus). On this basis, the advocates of the neo-classical trend tried to justify so-called natural laws, which were supposed to determine value and prices, including the prices of factors of production, i. e., profit, wages and rent, and also the laws behind the distribution of incomes. To counterpose the labour theory of value, they advanced a *theory of marginal utility*. Accordingly, value was regarded as a subjective category, its magnitude (subjective evaluation) being determined by the utility of the last additional unit of the object consumed. This theory states that marginal utility determined the prices of consumed goods and, via consumer goods, the price of factors of production. The general principles of the theory of marginal utility were further developed in the theory of the marginal productivity of factors, advanced by J. B. Clark (USA) (see *Theory of Marginal Productivity*). According to Clark, value acts as the sum of the marginal products of allegedly equal factors of production. He contended that, under premonopoly capitalism, marginal products determine the price of factors of production, too, i. e., wages, profit and rent, so distribution, too, is effected in accordance with the just "natural" laws. The neo-classical theory of value and price formation was developed most fully in the works of the British economist A. Marshall. The neo-classical trend also advanced a theory of general economic equilibrium, according to which the mechanism of free competition was supposed to ensure not only a "just" distribution of incomes, but also maximum use ("full employment") of economic resources. This theory served as the basis for the concept of the inner stability of capitalist economy, an apology for "free enterprise" and the policy of non-interference by the state in the economy. Beginning in the 1930s, the dominant position of the neo-classical trend was seriously undermined by the develop-

ment of *Keynesianism*, which advocated state regulation of the economy. In the 1950s, however, the neo-classical trend gradually revived and the neo-classical theory of growth began developing (see *Theory of Economic Growth*). This theory proceeded from vulgar neo-classical postulates concerning the creation and distribution of value, but, its main goal was to analyse the conditions for balanced growth, as well as to assess the role of individual economic growth factors. In the same period, attempts were made to find a way of uniting the Keynesian and neo-classical theories into a general system of views, which came to be known as "neo-classical synthesis". In the 1960s, the neo-classical offensive against Keynesianism gained momentum. The sharp criticism of the Keynesian recipes for regulating the economy which boosted inflation were accompanied by a certain face-lifting of the neo-classical concept itself. So-called monetarism has become its chief form. According to the monetary theory (its author was Milton Friedman, head of the Chicago School), the money supply is the main source of economic disorder in capitalist society. According to monetarists, crises and inflation are engendered by sharp oscillations in the money supply as a consequence of the implementation of Keynesian recipes for stabilising the capitalist economy. Monetarists believe that the capitalist economy is inherently stable and that the task of economic policy must be brought down only to maintaining a steady growth rate of the money supply. Monetarists use criticism of state interference in the economy above all for attacking the state's social expenditures, demanding a reduction or limitation of them. The revival of the neo-classical trend reflects the fact that state regulation of the economy has its limits and is unable to rid capitalism of its inherent contradictions.

Neo-colonialism, a system of economic, political, military and other relations imposed by the imperialist states on the developing countries in order to keep them within the framework of the capitalist economic system. It is based on the econom-

ic backwardness of young national states and their unequal, dependent position in the *world capitalist economic system*. Neo-colonialism appeared as a result of the complete untenability of the old colonial policy and the *collapse of the colonial system of imperialism*. The material basis of neo-colonialism is, first, the fact that the developing countries belong to the system of the international capitalist division of labour (see *Division of Labour, Capitalist International*) and remain economically dependent on the imperialist states, and, second, the fact that foreign capital, mainly imperialist monopolies, retains important positions in their economies. Today, the forms and methods used for bringing pressure to bear on newly free countries have changed considerably. The imperialists seek social support not only among the feudal and tribal nobility, but chiefly among the national bourgeoisie. The creation of national, primarily private, capital and the setting up of joint enterprises with the participation of local and foreign capital, mainly in the extracting and manufacturing industries, come to the forefront in the economy. Monopolists try to turn the newly free states into industrial-agrarian appendages of world capitalist production. Imperialism also brings its influence to bear on production in the developing countries through the policy of prices on the *world capitalist market* (see *World Market, Capitalist*) through the reduction of demand for manufactured products and the setting of import quotas and high customs tariffs. Foreign monopoly capital is the most important weapon for subordinating many developing countries to imperialist exploitation. The export of capital to these countries has increased as the export of state capital has assumed prime importance in the form of "aid" and loans provided on specific conditions dictated by imperialism. Imperialist states try to draw the developing countries into economic and military blocs, subjecting them to "collective" colonialism. They impose inequitable agreements, fan national and religious animosity, implant reactionary, puppet regimes, organise coups d'état, disseminate anti-commun-

ist "theories", slander the socialist countries, resort to direct military intervention, etc. Yet, the countries that have freed themselves from colonial domination are trying to consolidate their independence, speed up their economic, technical and cultural development, and are coming out for establishing a *new international economic order*.

Net Income of a Socialist Enterprise, a part of *net income of society*. Quantitatively, the net income of a socialist enterprise is the difference between the monetary gain from the sales of products at the wholesale prices of the enterprise (see *Wholesale Prices*) and its actual production cost. The less the enterprise expends on the manufacture of the products, the higher the net income. Therefore, all the factors raising the *efficiency of social production* at the same time increase the enterprise's net income, which also depends on the level of the *price* of the product. The *surplus product* is, above all, the material content of the enterprise's net income. In actual practice these two forms may not coincide in each concrete case because, first, the wholesale price of an enterprise's products does not coincide with the value; second, the extent of production costs deviates from the corresponding part of the products' value; and third, an enterprise's net income, besides the value of the surplus product, includes part of the *necessary product* (deductions from the profit to the material incentive, socio-cultural and housing funds). The socialist nature of the surplus product makes an enterprise's net income socialist in content. The income, like the surplus product, is national wealth, and expresses the relations of socialist cooperation in production, sales, distribution and use of part of the newly created value. The net income of a socialist enterprise is formed, as is the net income of society as a whole, in the process of the planned management of the production process, of the establishment in the plans of enterprises of the volume, range of goods and product price. No matter what the forms of distribution and redistribution of the net income are, in the final

analysis it is used in the interests of the working people. An enterprise's net income is distributed as follows: one part goes into the *centralised net income of the state*, and the other is used by the enterprise for developing production and for satisfying the collective's various requirements. It goes into the production development fund, the material incentives fund and the socio-cultural and housing fund (see *Economic Incentives Funds*). The system of distribution of an enterprise's net income is based on taking due account of the economic laws of socialism, and is aimed at making the collective and individual workers more interested in the ultimate production results and in making production more efficient.

Net Income of Society, part of the value of the *aggregate social product* which when sold is taken apart from social production costs. Because prices do not coincide with value and the *depreciation* sum with the real wear and tear of fixed assets, and because of changes in proportions, the monetary form of the net income deviates from the material content embodied in it. In capitalist society, net income represents the entire realised *surplus value*. It falls into profit, rent, interest, and is appropriated by the exploiter classes and is used to intensify the exploitation of the working people. The socio-economic nature of net income in socialist society is different in principle. It is created by the exploitation-free labour of workers, is social wealth, and is used in the interests of all the working people. As an economic category, the net income of socialist society as far as its creation and distribution are concerned expresses the relations between society as a whole, the collectives of enterprises and individual workers. The socialist nature of net income is also manifested in its use. When Lenin characterised the social nature and purpose of *surplus product* under socialism, he pointed out that it did not go to the class of owners but to all the working people, and to them alone. Under socialism, the mechanism of the formation of net income differs in principle from that under capitalism. While in capitalist society net income is

formed spontaneously in the course of fierce competitive struggle between owners, in socialist society it is formed on the basis of the planned production and sales of goods, the rate of development and proportions, volume and range of products and price levels set consciously by society. The experience of building socialism in the USSR and in other socialist countries has confirmed the necessity and expediency of dividing society's net income into two parts. One part, in the form of *turnover tax*, *payment for production assets*, fixed or rented payments, free profit remainder, deductions for social security requirements, income taxes from collective farms and other cooperative organisations, etc., is accumulated by the state and forms the *centralised net income of the state*. The other part comprises the net income of state enterprises and agricultural cooperatives (collective farms) (see *Net Income of a Socialist Enterprise*). The economic nature of both these forms of net income is the same. The existence of two forms of society's net income is determined by the specifics of socialist public ownership of the means of production and the requirements of the planned development of the socialist economy. The unity of public ownership and the interest of the entire population presupposes the centralisation of part of society's net income. The most important national requirements are satisfied through this fund, and the economic and organisational activity of the socialist state is provided with finances. Alongside this cost-accounting principles of managing production plus collective interests ensure that part of society's net income is placed at the disposal of the production collective to meet its interest in fulfilling state plans, expanding reproduction and making it more efficient.

Net Product, an economic indicator characterising newly created value, the most important result of the activity of enterprises, associations and industries. The sum total of the net product of all sectors of material production comprises a country's *national income*. The expenditure of living

labour is embodied in the net product as distinct from the *gross output*, which embodies the expenditure of both living and materialised labour. Net product is assessed by deducting from the gross output (of an enterprise, association or industry) the material expenditure for its production (the cost of raw and other materials, purchased semi-products, fuel, power, wear and tear of fixed assets). Calculated in the *wholesale prices* of enterprises (without the turnover tax) the net product is divided into wages and profit in ratios determined by the conditions of production and distribution. In Soviet industry on the whole, net product comprises over 25 per cent of the gross output, and nearly 35 per cent with the turnover tax included. Net product increases with the increase in the number of workers (outlays of working time), higher *labour productivity* and economical use of the means of production (material expenditures on production). Changes in the net product-worker (or net product-working time) ratio characterise the dynamics of use of both living and materialised labour. The net product indicator is used widely for analytical aims, primarily for studying how to raise production efficiency, and also to determine the volume of the national income. The annual reports of enterprises on gross output and production expenditures are used to calculate the net product. No assignments for the growth of the net product are set, because the *rated net product* indicator is used for this purpose in the manufacturing industries.

New Economic Policy (NEP), the economic policy of the Soviet state in conditions of the multi-structured economy of the *period of transition from capitalism to socialism*, aimed at the victory of socialism while commodity-money relations and private capital were permitted and used. NEP presupposed a concentration of the commanding heights of the national economy in the hands of the proletariat, direct social regulation of the socialist economic structure, planned state control of the market links between socialist industry and the small-scale peasant farming with the

use of state capitalism in order to build socialism, the existence of private capital within certain limits, a consistent struggle by socialist against capitalist elements and the victory of socialism in the USSR. NEP was a continuation and further development of the Party policy worked out by Lenin in the spring of 1918 and pursued before the Civil War and foreign military intervention began. The policy of War Communism, which is not a necessary stage in the development of a socialist revolution, was pursued under conditions of war, home and foreign counter-revolution. In 1921, after the end of the war and the transition to peaceful socialist construction, the Tenth Congress of the Communist Party adopted the New Economic Policy. Politically, the essence of NEP lay in the need to strengthen the alliance between the working class and the toiling peasantry. The fate of socialism in the USSR depended on the interrelations between these two main classes of Soviet society. "The essence of this [NEP policy]," Lenin said, "is the alliance of the proletariat and the peasantry, the union of the vanguard of the proletariat with the broad mass of the peasants" (V. I. Lenin, *Collected Works*, Vol. 33, p. 171). Economically, NEP was designed to secure the victory of the socialist *relations of production*. This task was fulfilled by the consistent struggle waged by socialist against capitalist elements, the gradual transformation of small-scale farming in the countryside into large-scale socialist farming. In the transition period, small scattered peasant farms, which remained the basis for the emergence of capitalism, opposed large-scale socialist industry. Yet, while landlords and capitalists could be expropriated, Lenin stressed, small producers in the village "cannot be ousted, or crushed; we must learn to live with them. They can (and must) be transformed and re-educated only by means of very prolonged, slow and cautious organisational work" (V. I. Lenin, *Collected Works*, Vol. 31, p. 44). In order to lead the peasant masses along the road to socialism, Lenin saw the need to make use of commodity forms of links between town and countryside, to make peasants interest-

ed in the development of agricultural production. The food surplus requisitioning system was replaced by a tax in kind and the peasant could now do what he wanted with his surplus output. The fact that trade turnover and commodity-money relations were allowed and the surplus requisitioning system replaced by a tax in kind created a stimulus for the development of agriculture, a speedy restoration and growth of large-scale socialist industry, and improvement of the life of the Soviet people. The *cost accounting system*, material incentives (see *Material and Moral Incentives*), and other economic levers began to be used on a broad scale in socialist enterprises. Thus, the implementation of the new economic policy provided the Soviet authorities with the necessary political and economic conditions for building socialism. The permission granted to engage in commodity production and free trade led to a certain revival and growth of capitalism, but, since all the commanding heights of the economy were concentrated in the hands of the state, state control over private capital kept the development of capitalism within certain limits. The policy of restricting and pushing capitalist elements out of town and countryside, as pursued by the Communist Party and the Soviet government, prepared the necessary socio-economic conditions for their complete elimination. The New Economic Policy was implemented during a fierce class struggle according to the principle "who will triumph over whom" and ended in the victory of socialism in the second half of the 1930s. After the transitional period, the building of socialism was completed in the main. Soviet society adopted a course of creating developed and mature socialism. The basic principles of the New Economic Policy were of great international significance. Fraternal countries that have embarked on building socialism have made successful use of the Soviet experience. The existence of the Soviet Union, the formation of the world socialist system and considerable weakening of imperialist positions as a result of the defeat of its most aggressive forces in World War II prevented civil war and foreign interven-

tion in the people's democracies. This allowed them to avoid the policy of War Communism and, after establishing the power of the working class, to begin peaceful socialist construction.

New International Economic Order, the young politically independent states' concept of restructuring international economic relations, advanced during the intensifying crisis of the imperialist system for exploiting the fuel, raw material and manpower resources of the developing countries. It includes the following requirements for providing external factors for the economic development of the developing countries: establishment of complete national sovereignty in the use of natural resources and in carrying out economic activities of all kinds; smaller fluctuations in prices for raw materials and a narrowing of the gap between them and the prices of manufactures; expansion of the preferences in trade with developed countries; normalisation of the international monetary system; stimulation of the expansion of the developing countries' industrial exports; adoption of a complex of measures for narrowing the technological gap between the developed and the developing countries; a lightening of the burden of financial debt and an increase in the inflow of real resources from the developed into the developing countries; regulation of and control over the activities of the multinational corporations. These measures would meet the interests of all developing countries. "Collective self-sufficiency", a concept that envisages all-round mutual economic cooperation between young states, is a most important method for realising these goals. Formulated in the Declaration and the Programme of Action on Establishment of a New International Economic Order, adopted by the Sixth Special Session of the UN General Assembly (May 1974), this concept has subsequently been specified in a number of documents and materials. The movement for the new order is a sweeping anti-imperialist front encompassing various Asian, African and Latin American countries with different levels and trends of socio-economic development. The developing countries link the realisation of these

objectives with their hopes for implementing at least partial restructuring of their economic relations with industrially developed capitalist countries to their own advantage and intensifying certain kinds of economic ties with the socialist countries. For some developing countries, above all the socialist-oriented ones, the struggle for the new international economic order results from a desire to supplement their home economic efforts with more favourable foreign economic conditions. The participation of capitalist-oriented states in this movement reflects attempts by their ruling circles to place the responsibility for the grave position of their peoples mainly on external factors, to shift the struggle beyond their frontiers and thus win time to strengthen the positions of national capital. The main weakness of the NIEO concept lies in discrepancies in its aim: it is impossible to transform international economic relations and put an end to *neo-colonialism* leaving intact the foundations of capitalism. It should be remembered, however, that the NIEO concept is in formative stages. New propositions are added and ones already adopted are being modified. Representatives of certain developing countries are beginning to dovetail the NIEO idea with the struggle to cut military expenditures and supplement political with military *detente*. Advocating an expansion and deepening of foreign economic relations with the developing countries on the basis of complete equality and mutual advantage, the Soviet Union, as was noted in the Soviet Government Statement of October 4, 1976 "On Restructuring the International Economic Relations", "regards with understanding the ... broad programme of undertakings reflecting vital and long-term interests of the developing countries and supports its principled orientation". The support given by the USSR and other socialist countries to the just and lawful anti-imperialist aspirations of the young states has helped in getting the United Nations to adopt important international documents aimed at establishing the new international economic order. This support has played a positive role in all subsequent international forums on problems of the new

international economic order. In view of growing demands of the developing countries and support they receive from the socialist countries, the imperialist states have to make partial concessions, but they are all united in striving to replace the proposals made by the developing countries with their own, neo-colonialist, concepts for transforming international economic relations.

Nomenclature of Products, the list of products put out by industry and other branches of the national economy. It is drawn up for the following purposes: to plan the rate, structure, and proportions of the development of the national economic branches, volume of output in physical and value terms, and other plan indicators, to draw up material balances and plans for output distribution to establish economic ties, and conclude agreements between producers and consumers, determine the productive capacity of associations and enterprises. The nomenclature of products may be extended to embrace all kinds of manufactures or enlarged (for instance, "motor vehicles"—in thousands, without specification of the numbers of lorries and cars). In the USSR, the enlarged nomenclature of products, approved in long-term plans, is specified in current plans, depending on the structural economic links. The enlarged nomenclature of the most important kinds of output is planned at the national economic level, then broken down during planning at the level of ministries, departments, associations and enterprises. The extended nomenclature assortment of products is conceived in production associations and enterprises when production plans and plans for the delivery of products are drawn up, taking into account the requirements of consumers. Assortment is an extended list of the varieties of a given product with special technical and economic specifications (power, quality, productivity, size, finish, etc.). More than 12 million kinds of products are put out in the USSR today. Under the Tenth Five-Year Plan (1976-1980), annual production plans, material balances and the plans for output

distribution approved by the USSR Council of Ministers, the USSR State Planning Committee, the USSR State Committee for Material and Technical Supply, ministries and departments included up to 40,000 kinds of major products. The USSR Council of Ministers and the USSR State Planning Committee approved production plans, balances and output distribution plans for an extended nomenclature totalling up to 2,000 products, and the USSR State Committee for Material and Technical Supply approved 12,000 products. Lists of technological products to be manufactured and delivered by production associations (enterprises) are approved with due account of their specialisation. According to these lists, consumers and supply and sales organisations conclude agreements on the delivery of products they need.

Nominal Wage, the wage received by workers in monetary form. Under capitalism, it is a transmuted form of value and the cost of labour power. The level of the wage is one of the main issues in the economic struggle waged by the working class in capitalist countries. The bourgeoisie tries to reduce the successes scored by the working class in this struggle to the minimum by lowering the *real wages*. Increasing taxes, soaring prices of consumer goods and tariffs on various services reduce the real content of nominal wage, thereby widening the gap between it and the value of *labour power*. The modern capitalist state pursues a policy of "freezing" wages during unbridled inflation. Under socialism, the wages of industrial and office workers, expressed in a certain sum of money, constitute the share of the national income they receive for their personal needs in accordance with the quantity and quality of the work they have done. Article 40 of the Constitution of the USSR says: "Citizens of the USSR have the right to work (that is, to guaranteed employment and pay in accordance with the quantity and quality of their work, and not below the state-established minimum)..." Under socialism, wages grow regularly and in a planned way, on the basis of a steady rise of the socialist econ-

omy. The policy pursued by the CPSU on incomes and consumption still proceeds from the fact that the growth of payment according to work done, which makes up to 75 per cent of the entire increment in incomes, is the main way of increasing the population's incomes. With stable prices of consumer goods and services, an increasing nominal wage ensures a further considerable rise in living standards. The stimulating role of wages is intensifying, and its level depends increasingly on the ultimate results of production and the growth of its efficiency.

Non-capitalist Path of Development, the historical process of the transition of countries from precapitalist formations to a socialist system, bypassing the stage of developed capitalism. The possibility of the non-capitalist path of development was theoretically substantiated by Marx, Engels, and Lenin and practically embodied in the Soviet Central Asian republics, in many regions of Siberia and in the USSR's northern regions, and also in the Mongolian People's Republic. "With the aid of the proletariat of the advanced countries," wrote Lenin, "backward countries can go over to the Soviet system and, through certain stages of development, to communism, without having to pass through the capitalist stage" (V. I. Lenin, *Collected Works*, Vol. 31, p. 244). The Great October Socialist Revolution was one of the basic historical conditions that created the practical opportunity for a number of countries to adopt a non-capitalist path of development. The very existence and internationalist policy of the world socialist system, disinterested aid from the more developed nations building socialism and communism, guarantee the independent non-capitalist development of the newly free countries. The historical experience of the transition to socialism bypassing capitalism, amassed in the Soviet Union, the Mongolian People's Republic and some other countries is invaluable for the developing countries. This process may take different forms depending on the historical and socio-economic conditions and the specifics of national develop-

ment. Among the main tasks facing such countries are: to find, with due consideration of the socialist prospects, the shortest path for a speedy and most radical transformation of the economy, development of democracy and culture, transformation of countries into industrially developed and economically and politically independent ones. The fulfilment of these tasks makes it possible to create certain material and political requisites for a subsequent transition to building socialism. The number of countries that have taken a non-capitalist path of development, or socialist-oriented states, has grown. These countries are, of course, developing along the progressive road in different ways and under difficult conditions. But the main trends are similar. Among them are: gradual elimination of the influence of the imperialist monopolies and the position of local big bourgeoisie and feudal lords; restriction of the activities of foreign capital; the state's seizure of the commanding heights in the economy and a transition to planned development of the productive forces; encouragement of the cooperative movement in the countryside; promotion of the role of the working masses in the life of society; gradual consolidation of the state machine with local personnel devoted to the people; ensuring of the anti-imperialist course of these countries' foreign policies, with their revolutionary parties which express the interests of the broad masses of the working people gaining in strength. The possibility of countries developing along a non-capitalist path is based on objective laws of social development and has nothing to do with the "export of revolution". The path of development chosen is the internal affair of the peoples of the developing countries themselves. The non-capitalist path of development, taken by a group of countries after shaking off colonialism, is supported by a consistent struggle of the popular masses and the broad general democratic movement under the guidance of the progressive revolutionary-democratic forces, and meets the interests of the majority of the people. The Soviet Union and the other socialist states render

all-round support to developing countries in their struggle to realise their just aspirations, and to eliminate imperialist exploitation completely. The new alignment of forces in the world opens up new possibilities for the non-capitalist path of development.

Non-economic Coercion, the form of coercion to work based on the working people's personal dependence on the exploiters, which is typical primarily of the slave-owning and the feudal mode of production. In pre-capitalist societies land-tilling prevails in production, with the landowner as the exploiter. As Marx wrote, "The appropriation of ... surplus labour is here not mediated by exchange ... but its basis is the forcible domination of one section of society over the other. (There is, accordingly, direct slavery, serfdom or political dependence.)" (Karl Marx, *Theories of Surplus-Value*, Part III, p. 400.) Slavery as a form of non-economic coercion is characterised by the direct use of violence to force one to labour; the slaves have no material interest in work. Unlike the slave, the serf owns means of production (agricultural implements, cattle, farm buildings, etc.). Coercion to work can no longer be solely forcible. Feudal production, however, cannot exist without non-economic coercion. If the landowner had no direct power over a peasant, he could not make the man who owns a plot of land and ekes out his own living work for him. Capitalism as a system of wage slavery relies on the economic dependence of workers on the bourgeoisie, who have monopolised the means of production. However, this does not mean that in capitalist society forcible coercion to labour is not extensively used. At the stage of so-called *primitive accumulation of capital*, violence to make people work was widely used to exploit the people of the colonies (plantation slavery and slave-traffic were legal in the colonies up to the latter half of the 19th century). The entire system of the capitalist countries' relations with the less developed dependent states relies on various forms of economic enslavement com-

bined with exploitation based on direct coercion.

Non-monopoly Sector, the part of the economies of imperialist countries where non-monopoly capital retains its positions, where there are specific relations of production engendered by a combination of the vestiges of free competition, on the one hand, and the influence of the monopolies, finance capital and state-monopoly capitalism, on the other. The non-monopoly sector has two clearly demarcated parts: (1) the petty-commodity economy, and (2) the commodity-capitalist economy. The former includes numerous small enterprises based on private ownership of the means of production and the labour of the owner and the members of his family working for the market. These are small-scale farmers, peasants, and artisans, whose incomes are spent virtually in their entirety on personal consumption. This stratum is characterised by a complete lack of wage labour, by very limited numbers of hired workers, when the head of the family lives thanks to his own work, scanty accumulations, practically excluding expanded reproduction, and by brutal exploitation on the part of monopoly capital. Despite the sharp decrease in its role in the economy, this socio-economic type of economy is preserved quite extensively in many imperialist countries, mainly because monopoly capital fears an explosion of social conflicts if this mass of commodity producers are completely ruined and a loss of its sources of monopoly profit. The commodity-capitalist economy includes small and medium-sized capitalist firms using wage labour and belonging to individual owners, the capital-property of which has not yet separated from the capital-function. These enterprises have a low *organic composition of capital* and a backward technical basis. Literally hundreds of thousands of small and medium-sized firms cannot stand up to competition and are, therefore, ruined, but their ability to regenerate is also quite high. "...Small-scale production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously,

and on a mass scale" (V. I. Lenin, *Collected Works*, Vol. 31, p. 24). Monopoly capital dominates these strata of commodity producers via the system of monopoly-high and monopoly-low prices, subcontracting and other agreements, and through the entire state-monopoly mechanism.

Non-production Sphere, the aggregate of the national economic branches including non-material production and non-material services. The non-material character of the results of the labour of workers engaged in these activities is a general indicator uniting them into one sphere of human activity. Non-material (intellectual) production is the production of ideas in scientific or artistic forms. To these belong the fundamental fields of science and art. Science decisively increases the productive potential of labour and expands man's power over nature. Ideas created in artistic forms — art — also play an important role. Art (literature, architecture, sculpture, painting, music, the theatre, cinema, etc.), like science, is a tremendous cognitive and educational force and an important means for the all-round development of the individual. Non-material services (see *Service Sphere*) include education, public health, state

and social management, etc. The character and scope of the non-production sphere are determined by the dominant relations of production. Under capitalism, it is characterised by hypertrophied development and often assumes a parasitic nature. Here the growth of the non-production sphere is mainly ensured by activities connected with the extraction of huge profits and preservation of the capitalist system (science connected with the militarisation of the economy, advertising, the financial apparatus, the military-police machine, etc.). The means channelled into financing such branches of the non-production sphere as public education and health are quite negligible. In socialist society, the non-production sphere unites only socially useful kinds of labour activity that develop in full correspondence with the *basic economic law of socialism*. Under developed socialism, the role of the non-production sphere grows. Its branches actively help boost the efficiency of the labour of workers engaged in the production sphere, create conditions for people to show their creative abilities to the full, and upgrade their qualifications, and general educational level, so that they directly help boost the *efficiency of social production*.

O

Object of Labour, a thing or a set of things acted upon by man in the process of production. It embraces two groups: a) materials directly obtained in natural conditions and converted into a product (mined coal and ores, fish in natural water reservoirs) and b) previously processed materials. These are called raw materials (e.g., yarn in textile production, metals or plastics at an engineering plant, etc.). The objects of labour derived from nature are processed in a series of consecutive stages before they become a finished product. Those that form the product's material basis are called basic materials, and those that contribute to the process of labour or are added to the basic materials to give them a certain property are called accessory materials. As production develops, the range of objects constantly expands. The scientific and technological revolution has led to a fundamentally new trend in the objects of labour: new materials are being created which do not exist in nature and have predetermined properties, and which relieve production from the need to use only natural materials with a limited range of properties. The new objects of labour (such as polymers, synthetic resins, thermoresistant, superhard and other materials) are playing a revolutionising role in the development of many branches of the economy. The objects and implements of labour, taken together, comprise the *means of production*.

Obsolescence of the Means of Labour, the loss of a part of the value of means of labour regardless of the degree of the loss by them of technological and production characteristics. There are two forms of obsolescence; the first is expressed in the loss of the value of the means of labour because of higher labour productivity in the industries manufacturing them. This does not entail the necessity of replacing operating equipment, because the technical level of both operating and new

equipment are approximately equal. However, extensive use of means of labour with a lower value results in previously acquired means of labour losing some of their value. The second form of obsolescence is conditioned by the spread of better and more efficient machines and mechanisms, which leads to the loss of value of previously installed and less economical means of labour. The use of technologically obsolete means of labour retards the growth of *labour productivity*. In capitalist society the moral wear and tear of *fixed capital* is the consequence of the drive of capitalists for *excess surplus value*. Capitalist competition makes the owners introduce new machinery. This ruins small and medium-sized enterprises. Obsolescence assumes mass scale during *economic crises of overproduction*. Spontaneous and mass renewal of fixed capital is the material base of the cycle (see *Cycle, Capitalist*) and periodic recurrence of economic crises of overproduction. To try and reduce losses from obsolescence and to justify the expenses on fixed capital, capitalists set higher rates of depreciation deductions (see *Depreciation*), lengthen working hours, introduce work in shifts, and raise *labour intensity* above the normal standards. As a result, working conditions worsen, industrial accidents increase, the degree of exploitation of wage labour rises. Under socialism the moral wear and tear of the *fixed production assets* is accounted for through the planned regulation, development and improvement of social production on the basis of *scientific and technical progress*. Obsolete plant is systematically replaced in a planned way by modern and more efficient facilities. This is the necessary condition for raising labour productivity and the *efficiency of social production*. More intensive use of the means of labour is the principal way of considerably reducing the society's losses from moral wear and tear. Physical wear and tear (see *Physical Wear and Tear of the Means of Labour*) and obsolescence are accounted for when determining the terms of functioning of the fixed assets and establishing the rates of depreciation.

One-Man Management, a major principle of the management of socialist production, which implies absolute subordination of the labour activity of each member of the collective to the will of the manager, who is invested with power by society or the body of employees and is personally responsible for the results achieved by the economic unit of which he is in charge. In socialist society, the will of the leader is not opposed, as an alien force, to that of the direct participants in production; rather it corresponds to the interests of the whole body of employees. One-man management is combined with extensive participation by the working people in management (see *Democratic Centralism; Economic Management*). In his activities, the manager enlists the assistance of the Party, the trade union and the Komsomol organisations, standing production conferences and other bodies through which the *participation of working people in economic management* is realised. Lenin wrote on one-man management: "We must learn to combine the 'public meeting' democracy of the working people — turbulent, surging, overflowing its banks like a spring flood — with iron discipline while at work, with *unquestioning obedience* to the will of a single person, the Soviet leader, while at work" (V. I. Lenin, *Collected Works*, Vol. 27, p. 271). For one-man management to be possible, each manager has to have a clear idea of his rights, duties and responsibilities. Recently, all economic leaders in the Soviet Union have been granted considerably more authority, and this has been reflected in the regulations concerning the Ministries of the USSR and production associations (enterprises). The increasing scale of production and the qualitative changes in the economy make increasing demands on the competence of managers. The modern manager must blend a Party approach to things, competence, self-discipline, initiative and a creative attitude to his work; he must also be able to understand the needs and requirements of the people and be above reproach in both his work and daily life.

Opportunism, a component of the ideological and political trend which appears in the working-class movement at specific periods under the influence of bourgeois ideology, and which tries to subordinate the working class to the interests of capital. Opportunism directs the working class towards collaboration with the bourgeoisie, to conciliation with capitalism, and the rejection of socialism, and serves as a weapon of imperialism in its struggle against Marxism-Leninism, the world communist movement, and real socialism. It came into being in the second half of the 19th century. In the epoch of the *general crisis of capitalism* the ideology of opportunism is represented by two main currents: social reformism of right socialist parties and revisionism in the world communist movement (see *Reformism; Revisionism*). Social-reformist economic concepts ("democratic socialism", "mixed economy", "market socialism", etc.) and corresponding policies are being evolved today by leaders and theoreticians of Social-Democratic parties, which came together in 1951 to form the Socialist International. Contemporary opportunism continues and deepens the theory and practice of the right-wing leaders of the Second International (Bernstein, Kautsky, Hilferding, Adler, Bauer and others). Whereas social-democratic theoreticians once recognised Marxism, albeit only formally, as they further slid to the right after World War II they openly proclaimed their break with Marxism. Bourgeois theories of "transformation of capitalism" are, first of all, the ideological and theoretical source of modern opportunism. As to its effect on the revolutionary working-class movement, opportunism may be right or "left", with one not infrequently turning into the other. Right-wing opportunism — reformist theories replacing one another, and the conciliatory politics and tactics (Bernsteinism, Kautskyism, modern social-reformism and right revisionism) — is directed at the actual defence of the bourgeois system and state-monopoly capitalism. It rejects, in the interest of reform and for the sake of temporary and partial advantages, revolutionary action and the radical transfor-

mation of society on socialist and communist principles. Opportunism within the communist parties means a degeneration into liquidationist positions, and the adoption of Social-Democratic platforms. Opportunism rejects the leading role of the Marxist-Leninist party and leads to capitulation before anti-socialist forces. "Left" opportunism (Trotskyism) uses ultra-revolutionary phrase to cover itself, pushing the people into adventurist actions, and the Communist Party onto the road of sectarianism. This paralyses its ability to unite people for the anti-imperialist struggle, to successfully guide the building of socialism, discredits communism, and thus facilitates the spread of anticommunism. The "New Left"—neo-Trotskyite and other groups in the radical movement among intellectuals which was especially active in the 1960s is a "left" opportunist trend. These trends criticise state-monopoly capitalism from anarchist and anarcho-syndicalist positions, attack real socialism and the strategy and tactics of the world communist movement from the "left", and at the same time attempt to use Marx's theoretical heritage. The economic conceptions of opportunism are part of unscientific, vulgar bourgeois political economy (see *Political Economy, Vulgar Bourgeois*) "Opportunism in the upper ranks of the working-class movement is bourgeois socialism, not proletarian socialism. It has been shown in practice that working-class activists who follow the opportunist trend are better defenders of the bourgeoisie than the bourgeoisie themselves. Without their leadership of the workers, the bourgeoisie could not remain in power" (V. I. Lenin, *Collected Works*, Vol. 31, p. 231). The principal ideological and theoretical link in the social and economic doctrines of modern opportunism, social-reformism and revisionism is the concept of the "third road", which is supposedly different from both capitalism and from scientific, Marxist-Leninist, real socialism ("democratic socialism", "new" national "models of socialism", the concept of "Eurocommunism"). Misinterpreting socio-economic processes that are occurring in state-mo-

nopoly capitalism (further capitalist socialisation of production on a national and international scale, imperialist economic integration, partial ousting of individual private capitalist ownership by collective ownership in the form of joint-stock, corporation and state capitalism, changes in the structure of the working class, the separation of managerial functions from the ownership of capital, the social gains of the working class in the industrially developed countries, etc.), opportunists have picked up bourgeois theories of "capital democratisation", "diffusion of property", "social partnership", "managerial revolution", "planned" capitalism, "the state of universal welfare", "deproletarianisation", and "new middle class", and now claim that capitalism will disappear of itself, without revolution, without power being seized by the working class, without the socialisation of the means of production, which, they say, is being transformed into democratic socialism. Proceeding from these positions, the right leaders of the Socialist International oppose real socialism, which they say is totalitarian, and contrast it to the "free world" as they call the bourgeois states. Anti-communism and the struggle against Marxism-Leninism is the main feature of modern opportunism. Economic opportunism, just as bourgeois political economy nourishing it, is gripped by an ever-deepening crisis. Socialist and Social-Democratic parties belonging to the Socialist International have often been elected to govern in Austria, Britain, the Netherlands, the FRG, Denmark, Norway and Israel; however, the capitalist mode of production and the system of capitalist exploitation have not been touched in any of them. As regards revisionist attempts to realise in economic practice any version of "market socialism", they have led (as the example of Czechoslovakia in 1968-1969 showed) to the undermining of the socialist system. "Left" opportunist conceptions are equally incompatible with scientific socialism. In practice they do great harm to the economy. In struggling against social-reformist and revisionist opportunism, Communists try to consolidate

their ranks, as well as the unity of the working class in the struggle for peace, democracy, socialism and communism.

Organic Composition of Capital, *the value composition of capital*, since it is determined by its *technical composition* and reflects the changes in the technical composition. In its material aspect the components of capital are the *means of production* and the *labour power*. The relation between them characterises technical composition of capital. The relation between the same elements of capital regarded in terms of value is determined as the relation between the value of the means of production (advanced *constant capital*) and the value of the labour power which gives them movement (advanced *variable capital*). There is connection between the technical composition of capital and its value composition. The changes in the value composition of capital, which is the specific socio-economic form of its technical composition, are usually the result of changes in the latter. The decisive role of the technical composition of capital in respect to its value composition is determined by the technological conditions of production. At the same time the changes in value composition of capital are relatively independent of the changes in its technical composition. The organic composition of capital is its value composition abstracted ("purified") from the changes in constant and variable capital, which are not the product of changes in the means of production and in living labour, of their relation to each other or quantitatively do not correspond to these changes, in other words, to the dynamics of technical composition of capital. The change in the organic composition of capital characterises those historic stages of development which the capitalist mode of production goes through. The organic composition of capital steadily increases on the technical base of large-scale machine production, technological progress and the heightened exploitation of wage labour both in industry and agriculture. In today's world, because of the scientific and technological revolution, contradictory ten-

dencies develop in the composition of capital. On the one hand, revolutionary transformations in machinery and technology lead to the rapid growth of constant capital, while, on the other, higher expenses for the variable part of capital as a result of the growing share of highly qualified and technical labour in the structure of the labour power has an impact on the composition of capital. The organic composition of capital is also influenced to a certain extent by the increased effectiveness of production, when the output is increased while expenditures of fixed capital decline. The organic composition of capital grows under capitalism in antagonistic forms, and involves the increase in the *rate of surplus value*, *relative surplus population*, the growing army of unemployed, and the deterioration of the condition of the proletariat.

Organisation of Social Labour, a method of amalgamating direct producers and linking them with the means of production. The organisation of social labour has the following common features: 1) the aim of organising labour; 2) methods of involving people in labour; 3) social form of cooperation and division of labour. All these features are concrete historical and depend on the social form of production. The capitalist organisation of social labour, which is subordinated to the aim of extracting maximum profit (see *Profit, Capitalist*), is the organisation of wage labour. It develops spontaneously and even during state-monopoly regulation cannot ensure a correspondence between the requirements of the modern productive forces and the organisation of labour on a social scale. The socialist organisation of social labour arises and develops on the basis of the social ownership of the means of production and, in turn, serves as a sphere, a form of realisation of this ownership and of its gradual evolution into communist ownership. The organisation of social labour is directly linked with its productivity. Lenin pointed out that under socialism "... there necessarily comes to the forefront the fundamental task of creating a social system superior to capitalism,

namely, raising the productivity of labour, and in this connection (and for this purpose) securing better organisation of labour" (V. I. Lenin, *Collected Works*, Vol. 27, p. 257). The socialist organisation of social labour combines the means of production corresponding to the modern level of development of science and technology with the worker free from exploitation. It is based on relations of comradely cooperation and planned regulation of labour throughout society as a whole, and is subordinated to the task of most fully satisfying the material and cultural requirements of the people. In the period of the *scientific and technological revolution*, the links in the system of the economy become more complicated, the technology of manufacturing a broad range of products is improved, specialisation and cooperation of production is deepened, and machines, technology and other conditions of production are upgraded. All this determines a qualitatively new approach to improving the organisation of social labour. Its essence lies in creating an organisational structure that will ensure high production efficiency and the best conditions for the comprehensive and harmonious development of the working people.

Out-of-Work Time, part of the day's time at the disposal of the working people minus working hours, i. e., the period of time in which they are not directly involved in their work. During this period the worker satisfies his natural needs, cultural and spiritual requirements, fulfils various public duties, etc. Non-working time can be divided into: a) the time connected with work in production (travel to the place of work and back, the time spent before and after work for changing clothes, washing up, etc.); b) the time spent on domestic chores and seeing to personal needs (buying various items and food, cooking, tidying up and cleaning the home, looking after the children, etc.); c) the time spent to satisfy one's natural physiological needs (sleep, personal hygiene, etc.); d) free time (see *Spare Time Under Socialism*). Thus, non-working time is needed to establish the conditions neces-

sary to realise the processes involved in reproducing labour power, and under socialism, in ensuring the harmonious, all-round development of man. The nature of non-working time is determined by the character of the *relations of production*. At the same time its length and structure also hinge on many other factors: natural and climatic conditions, age, profession or trade, the educational and cultural level of the workers, the size of the family, historically formed features and customs, etc. In their bid for higher profits, the capitalists do all they can to prolong working hours (see *Working Day*) and reduce non-working time to the minimum. Therefore, under capitalism non-working time and its length are an issue over which sharp class battles are being fought. Socialist relations of production create conditions needed for the increase, rational utilisation and constant improvement of the structure of non-working time. The high growth rates typical of socialist production and its effectiveness make it possible to reduce working hours according to plan, and to correspondingly increase the working people's non-working time. The annual amount of working people's non-working time also increases because of longer paid leaves. Developed socialist society ensures the most rational utilisation of non-working time, creates the conditions necessary to reduce expenditures involved in doing domestic chores and seeing to other personal matters, and this, in turn, gives the working people more free time. The implementation of the broad programme of social measures, housing construction, development of retail trade and the services, and improvement of the living conditions enables people to economise on the time at their disposal, to ease domestic chores and extend the free time available to working people.

Output-Asset Ratio, an indicator of the effectiveness of the use of the *fixed production assets* of an enterprise (branch, or economy at large). On the scale of the economy as a whole, the level of the output-asset ratio characterises the volume of the *aggregate social product* or *national*

income per unit of value (per rouble) of the operating fixed assets. The efficiency of machinery is characterised by definite indicators (for a turbine it is kw-hrs of generated electricity, for a drilling machine — the metres of headway, in ferrous metallurgy — the average daily output of steel from one square metre of hearth of open-hearth furnace, etc.). Increasing the output-asset ratio is an important economic objective. It directly depends on the hours of operation of the machinery at an enterprise. In this connection, it is important to raise shift-load coefficient, cut down idling time of machines and plant, and rationally use the production premises. In *developed socialism*, with the increasing time of functioning of the fixed assets it is important to use them intensively, in other words, to raise the technological level of production and increase the use of means of labour per unit of time. The growth of the output-asset ratio directly depends on the efficiency and organisation in the work of the collective, the level of *labour discipline* and the attitude to work. A higher output-asset ratio is an important way of increasing the *efficiency of social production*. Asset-output ratio is an inverse indicator of the output-asset ratio. In the economy, the level of the asset-output ratio characterises the value of the fixed assets per 1 rouble of the aggregate social product or national income. At an enterprise, it is determined by the ratio between the average annual cost of the fixed assets and the cost of products manufactured at the enterprise over the year. The asset-output ratio is widely used in plan calculations (for instance, when planning the construction of new enterprises, determining the size of additional capital investment to boost production, etc.). There is a reverse dependence between the output-asset ratio and the asset-output ratio: the higher the former (other conditions being equal) the lower the latter, and vice versa.

Ownership, the relations of people to each other with regard to the appropriation of the *means of production* and of the material wealth created therewith. Owner-

ship is viewed only as the relation of man to property by bourgeois scholars, while Marxism-Leninism sees the ownership of the means of production as relations between people, social classes, which change along with the changing social and economic situation. The chief role in appropriating material wealth is played by the ownership of tools and other means of production, which determines the nature of the social system. The nature of *production, distribution, exchange and consumption* in a society depends on who owns the means of production. Each state and stage of development of the *productive forces* has its own specific form of ownership related to it. This can either encourage or delay the development of the productive forces. The *primitive-communal mode of production*, with its extremely low development of productive forces, required communal, collective ownership of the primitive tools and products of labour. As communal ownership declined new economic relations emerged—private ownership of the means of production and its output, as well as of the labourer, who becomes the property of another person, is turned into a slave. Private ownership of the means of production meant the *exploitation of man by man*, the appropriation of the product by individual property-holders, and the division of society into the class of exploiters and the class of the exploited. The framework of slave-holding society based on the labour of slaves unconcerned with the growth and improvement of production became fetters limiting the productive forces to develop further. Slavery was replaced by feudalism. In feudal society, private ownership moves a step further in its development, because the labourer is somewhat interested in increasing production. Private ownership of the means of production reaches the peak of its development under capitalism. As bourgeois society developed further, most of the tools and means of production, along with the products of labour, became concentrated as the property of the capitalists. Working people, free by law, have to sell their *labour power* to the owners of the means of production

and are subjected to ruthless exploitation. At the stage of imperialism, huge amounts of capital are concentrated in the hands of the major capitalist monopolies dominating industry, banking, agriculture, transport and commerce. The further development under capitalism of the modern productive forces, which are becoming increasingly socialised, is contained by the limitations of capitalist private ownership. Anarchy and the spontaneous character of capitalist production, the fierce competition between enterprise owners in the race for maximum profits, *economic crises of overproduction*, the relatively low level of consumption by the working people, and mass *unemployment* alongside chronic undercapacity production, all clearly indicate that a social system based on private capitalist ownership has become outdated, and is a brake on the development of society and its productive forces. It has to make way for the new social system — socialism, where exploitation of man by man is eliminated, and the way is cleared for progress in the economy, technology, science and culture, as well as in improving the well-being of all members of society. The most essential

feature of relations within socialist ownership of means of production is that all members of society are placed economically on an equal footing as co-functioning, collective masters of production. They are all interested in multiplying social property as a foundation of the economic strength of the state, and of the steadily rising living standards of the population. The economic foundation of the USSR is *state socialist property (belonging to all the people)*, and *collective farm-and-cooperative property*. The property of trade unions and other social organisations necessary for performing their statutory functions is also socialist property. The state protects socialist property, and ensures that it expands. Members of socialist society are obliged to preserve and enhance it, combat the plunder and waste of property, and to be economical with public wealth. *Personal property* also exists under socialism. In the perspective the two forms of socialist social property will merge into one, that of the whole people. This finds its expression in the agro-industrial integration and in the development of inter-collective farm and collective farm-and-state farm associations.

P

Paper Money, see *Money*.

Participation of Working People in Economic Management, the activities of working people in regulating, in a systematic and planned way, social production with a view to making it more effective and obtaining high *final results*, through the all-round development of working people, and development of communist attitude to public affairs. The necessity for working people to participate in economic management is dictated by the nature of socialism itself. The conquest of political power by working people and the fact that the means of production became the property of the people have radically changed the position of the working people in the economic system, making them collective owners of production, which now becomes subordinated to the task of guaranteeing the well-being and free all-round development of all members of society (see *Basic Economic Law of Socialism*). Hence working people not only have to work effectively and produce, but also to manage the economy. In capitalist society, the overwhelming share of the *means of production* belongs to the exploiters, and the working people are removed from management. The management of capitalist production is aimed at intensifying exploitation, and thus is essentially despotic. The economic system of socialism is profoundly democratic. The socialist economy is managed according to the principle of democratic centralism (see *Democratic Centralism in Economic Management*). The practice of building socialism has led to the development of a consistent system of economic management by the working people. In the USSR it comprises, first, the forms of direct participation in management such as popular discussion of draft economic plans and decisions embracing key questions of the socio-economic development of the country; meetings of members of work collectives to discuss and take decisions on the most important issues in the activity of enter-

prises (associations); standing production conferences; people's control groups, posts, and committees. Second, workers participate in management through representative bodies of state authority: the Soviets of People's Deputies; in addition to electing the members of the Soviets, they actively participate in their endeavours by elaborating instructions to the deputies, controlling their work, and working in various commissions, etc. Third, working people are active in public organisations, in which Party organisations have an especially important role to play. According to the Constitution of the USSR (Art. 6), the CPSU is the leading and guiding force of Soviet society, the nucleus of its political system, of state and social organisations, exists for the people and serves the people. Trade unions are the most massive organisation of working people. Young working people also participate in management, particularly through Young Communist League organisations. An important role is played by creative organisations such as scientific and technical societies, the All-Union Society of Inventors and Innovators, voluntary design boards and groups of economic analysis, boards for scientific organisation of labour, etc. Fourth, the creative energy of working people is mobilised and they are involved in management through *socialist emulation*. The primary element in the economic and political structure of socialist society is the work collective, which under the Law on Work Collectives possess broad latitude in discussing and making decisions on state and social matters and in the management of enterprises and institutions (see *Collective, Work, Production*). The participation of the working people in managing cooperative enterprises has special features dictated by the specific features of *collective farm-and-cooperative property* in the means of production. In the context of mature socialism (see *Developed Socialism*) the participation of the working people in management has become all-embracing. The high tenor of these activities can be explained by many factors, including the level of social consciousness of the people, their creativity and initiative; educational

work in society and in the work collectives; the use of *material and moral incentives*; consolidation of labour and planning discipline; the expansion of criticism and self-criticism; and the working people's acquiring of an impressive body of political and economic knowledge. Developed socialism creates the most favourable conditions for the operation of these factors and, consequently, for the most active participation of the working people in economic management. In the USSR a wide range of measures have been taken to further develop democratic principles of economic management, and to enhance creative initiative by the work collectives whose attention is concentrated on better utilising production capacities and resources, raising labour productivity, improving working and living conditions, and tightening planning, technological, and labour discipline. The creative initiative of the working people is displayed in the elaboration and implementation of five-year and annual plans, and in the control of their implementation. The involvement of the working people in management as an issue of sharp ideological struggle. Lenin believed it imperative that "we must break the old, *absurd, savage, despicable and disgusting* prejudice that only the so-called 'upper classes', only the rich and those who have gone through the school of the rich, are capable of administering the state and directing the organisational development of socialist society" (V. I. Lenin, *Collected Works*, Vol. 26, p. 409).

Passport of an Enterprise, a document which comprehensively characterises the main aspects of the economic performance of a socialist enterprise as a whole. It contains objective data on the existence and use of production capacities and equipment (replacement and utilisation coefficients, etc.); on the technical level and *quality of output*; on the volume of capital investment and the existence, putting into operation and efficiency indices of the fixed assets (output-asset ratio, asset-worker ratio, etc.); on the consumption and expenditure of the basic types of raw and other materials, semi-finished goods, fuel and energy;

on finances (overall balance profit, *profitability*, the turnover of circulating assets, *economic incentives funds* and the organisational and technical level of production (comprehensive mechanisation and automation, proportion of manual workers, measures to improve management and to introduce new technology, etc.). The passport of an enterprise also includes a section on manpower resources and the social development of the collective (labour productivity, use of working hours, average monthly wages and their increase, provision of workers with housing and childcare facilities, material incentive funds, and social and cultural measures and housing per worker, etc.), as well as indices characterising environmental protection, such as the availability of purification installations, degree of rational use of water resources, minerals and hard waste, and expenditures on the environment. Whenever necessary, the passport also includes additional figures to indicate the features of a given industry (enterprise). A precise and objective passport makes it possible to work out economically grounded five-year and annual plans, correct imbalances in the development of enterprises and industries, and more effectively utilise manpower and material resources and make production assets more efficient. The data may be used by enterprise collectives (see *Collective, Work, Production*) to search for reserves to increase production and formulate *counter (upwardly adjusted) plans*, as well as to determine the principal ways of making production more efficient and the quality of work higher. In the USSR, the passport of an enterprise is compiled by production associations and enterprises subject to the Statute on the Socialist State Production Enterprise. The compilation of it is based on the data concerning the state of production and the summary results of economic performance for the year under review. The data are further specified each year on the basis of an analysis of available production opportunities and objectives. The entire work collective, all sections of the enterprise take an active part in compiling the passport.

Past Labour, labour materialised in material benefits, *means of production* and *consumer goods*. Unlike *living labour* past labour does not produce a new value, but is only a condition of its production. The value of the means of production consumed in the process of labour is retained and is transferred by living labour to the new product. Under capitalism, past labour is estranged from direct producers and becomes capital, the condition and consequence of exploitation; it "is dead labour that, vampire-like only lives by sucking living labour, and lives the more, the more labour it sucks" (Karl Marx, *Capital*, Vol. I, p. 224). In socialist society, broad opportunities are provided for introducing new technology which facilitates living labour and makes it possible to use it more effectively. As society develops further, the productivity of living labour and consequently the amount of wealth increasingly depend on the might of the means of production set in motion through living labour. Of great significance is the rational use of past labour and the effective exploitation of machines and equipment, as well as economising on raw and other materials and fuel. A higher *output-asset ratio* and lower *material intensity* are an important means and index of the *efficiency of social production*.

Patriarchal Economy, primitive land cultivation or nomadic stockbreeding. It emerged in the period of the primitive communal system as a typical form of social economy based on the historically earliest form of ownership of the means of production — collective ownership — in its tribal (communal) form. With the disintegration of the primitive-communal system and the emergence of subsequent socio-economic formations patriarchal economy appears as a socio-economic structure (see *Structure, Economic*) founded on the small private property of patriarchal families which broke away in the process of production from other families of the tribal and later neighbours' (territorial) peasant community. Patriarchal economy does not involve exploitation of man by man, as relations within this economy involved in the

production, distribution and consumption of products are regulated by family-tribal ties and depend on the division of labour by age and sex. Patriarchal economy involves poorly developed productive forces and obsolete techniques, and is fully or for the most part natural (subsistence) in character. The patriarchal economy of peasant (neighbours') communities and individual families was fairly widespread in the early period of feudalism in Western Europe. The private ownership and natural (subsistence) character of the family patriarchal economy led to the appearance of private peasant ownership of land and later to serfdom. In the early period of feudalism, it was also spread in ancient Rus, in particular in Kiev Rus during the 9th-12th centuries. Patriarchal economy existed under capitalism in many colonial and dependent countries. Today, it still exists in the economically backward regions of Africa, Asia, Latin America and Australia, and on some Pacific islands. Patriarchal economy remains as a structure during the first stage of the period of transition from capitalism to socialism in those countries where a socialist revolution has occurred and where backward socio-economic forms of production, typified by small-scale subsistence economy, are partially retained. In the USSR, the patriarchal structure remained in the first years after the October Socialist Revolution as private hunters' or nomadic stockbreeders' economies, because of the economic backwardness of some of the national and outlying regions of pre-revolutionary Russia. In 1923-1924 patriarchal economy accounted for 0.5 per cent of the gross product in the USSR, and was soon fully collectivised. The patriarchal structure, represented by nomadic arat economies, also prevailed in the Mongolian People's Republic in the initial stages of its transition to socialism.

Payment for Production Assets, part of the profits of an enterprise or association paid into the budget for utilising the *fixed production assets*. Payment for production assets is an economic lever wielded by the state to promote the economic interests of associations (enterprises) and to induce

them to make more effective use of their assets. The greater the output-asset ratio, the more profit an enterprise obtains. Soviet enterprises make payments into the budget every month, regardless of their fulfilment of the profit plan. Payment for assets is a major item in the budget, its proportion in the total state income amounting to more than 10 per cent, and its share in profit payments to as much as 33 per cent. The standard asset payment is usually 6 per cent, and in certain industries with a relatively low profitability, it is 3 per cent of the value of the fixed production assets and rated *means of circulation*. In the tobacco and tea-packing industries, payment for assets is 10 per cent. No payment is collected for fixed production assets created at the expense of the production development fund for two years, and for those created from bank credits up to the repayment of the loan; no payment is collected for new enterprises and large production installations during the period of putting their capacities into operation as specified by industrial standards. Nor is payment collected for the fixed assets conserved on the decision of the Councils of Ministers of Union Republics; for facilities that clean the air and water basins of harmful production waste, and facilities and plant improving labour safety and industrial hygiene, and greenery on balance within the enterprises' fixed assets. Moreover, some categories of fixed assets may be exempted from payment for productive assets by Ministries of the USSR and Councils of Ministers of the Union Republics.

Payment for Work on Collective Farms, the main form of distributing the necessary product among farmers in the collective farm sector in the USSR in accordance with the quantity and quality of work expended by each farmer in social production. Reflected in it is, on the one hand, the specific features of *collective farm-and-cooperative property*, and, on the other, the specific features of agriculture as a sector of material production. The principal feature of remuneration of cooperative enterprises is the fact that the remuneration fund is formed from the incomes of the given

collective farm. A direct link is ensured between the material position of collective farmers and collective farm profits, and the economic level it has achieved through payment for work. The principle of the formation of the remuneration fund from incomes of the given collective farm is inherent in collective farm-and-cooperative property itself. However, its concrete forms have changed and been improved parallel to the development and strengthening of the collective farm economy. The central policy is that of drawing the level and forms of remuneration for work on collective farms and at state enterprises closer together. For quite a long time, the remuneration fund of the collective farms was formed from the resources that remained after incomes in kind and money incomes had been distributed. The *workday unit* was a unique measure of the expenditure of labour and distribution of funds of individual consumption on the collective farms. But the workday unit could not guarantee beforehand a definite level and amount of payment. Remuneration for labour was usually determined and made at the end of the year. Payment in kind was predominant. But the greater socialisation of production and the upsurge of the economy of the collective farms made it possible to gradually transfer to payments in advance to collective farmers on account of the workday units to be earned over the year. Many collective farms began to plan definite remuneration beforehand. Following the March (1965) Plenum of the CC CPSU qualitative changes in the remuneration for work were introduced on collective farms. Measures to encourage agriculture ensured the growth and stability of collective farm incomes and created prerequisites for them to switch to a guaranteed payment for work according to principles valid for all farms. Wage rates on state farms for similar jobs have been adopted as a criterion of the level of remuneration. Farmers receive payment regularly during the year, and direct money rates are used. The share of payments has grown in the remuneration fund. Remuneration in cash makes collective farmers materially interested in the growth of the socialised economy, makes it possible to realise more fully

the principle of equal pay for equal work on the scale of the collective farm-cooperative sector, and helps to further level out the rates of payment for work on collective farms and state enterprises. Alongside this, the significance of remuneration in kind has also been retained. The uneven levels of mechanisation of work, of the qualification of farmers, and different degree to which labour is used over the year are all objective bases for the differences in remuneration for work which still exist. If they lack their own means, collective farms receive credit for payments for work. A policy is being implemented of priority growth of remuneration for work on collective farms. This brings earnings of collective farmers closer to those of industrial and office workers, and helps to eliminate differences in cultural and daily conditions of life in town and countryside. Today remuneration for work on collective farms is being improved, primarily by dovetailing the amount of the remuneration with the ultimate results of production, and ensuring equality in paying for work of equal difficulty, arduousness and intensity.

Peasantry, see Classes, Social.

Period of Transition from Capitalism to Socialism, a special historical period in which capitalist society is transformed into socialist society in a revolutionary way. It begins with the establishment of the dictatorship of the proletariat and ends with the complete triumph of socialism and the building of the socialist base. "Between capitalist and communist society," wrote Marx, "lies the period of the revolutionary transformation of the one into the other. Corresponding to this is also a political transition period in which the state can be nothing but the *revolutionary dictatorship of the proletariat*" (Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, p. 26). The need for the period of transition from capitalism to socialism stems from the specific character of socialist *relations of production* as they emerge and develop. Bourgeois and socialist economies are in essence diametrically

opposed, as they are based on two radically different types of ownership. Socialism cannot therefore emerge spontaneously or in an evolutionary way in the womb of the capitalist system. The socialist rebuilding of society begins with the smashing of the old state machinery, i. e., the replacement of the capitalist state which implements the dictatorship of the bourgeoisie by the state of the dictatorship of the proletariat. The transition period is marked by the multi-structural nature of the economy, i. e., the existence of different types of social economy. The basic structures, common to all countries, are the socialist, small-scale commodity and capitalist economic structures (see *Structure, Economic*). The leading role is played by the socialist structure, which results from the socialist socialisation of production on the basis of the revolutionary transformation of large private capitalist property into social property and the voluntary transition of small private producers to a collective economy. The small-scale commodity structure comprises individual peasant farms connected with the market and also the artisan economies. The capitalist structure is represented by private capitalist enterprises in industry, trade and agriculture (kulak farms). There can also be other forms, such as the patriarchal economy and state capitalism. In the early 1920s, the socialist structure in the USSR accounted for 38.5 per cent of the gross national product, the small-scale commodity structure for 51 per cent, and the private capitalist structure for 8.9 per cent. An additional 0.6 per cent was produced by the patriarchal economy and roughly one per cent by state-capitalist enterprises. The principal social forces of the transition period are the working class, the poor and middle peasants and the bourgeoisie. The working class, which was formerly oppressed and exploited, becomes the leading force of society, the dominant class. It leads the working people's struggle against the overthrown bourgeoisie. The working peasantry is a loyal ally of the working class, and is actively involved in the socialist transformation of the countryside. The position of the bourgeoisie also changes radically. It is divested of political power and

most of the means of production, and loses its dominant role in society. The multi-structural character of the economy and existence of social classes with different economic and political interests produce contradictions and an acute class struggle on the principle "who will win whom". The basic contradiction of the transition period is that between overthrown and moribund capitalism and nascent socialism which consolidates its positions and emerges victorious in this confrontation. The transition period witnesses the end of the operation of the *economic laws* of capitalism and the steady expansion of the sphere of action of the objective economic laws of socialism. The scientifically-grounded plan for building socialism in the USSR entailed the creation of the material and technical base of the new society via the country's industrialisation: conversion of individual, fragmented, small peasant farms into a large-scale socialised socialist economy through the organisation of cooperatives; cultural revolution; restructuring of nationalities relations; establishment of a mechanism for managing the social economy; and transformation, on socialist principles, of all social spheres. The concrete historical conditions attending the transition to socialism differ in different countries; however, as the experience of the USSR and other socialist countries has shown, the revolutionary transition from capitalism to socialism is based on certain general laws that are valid for all countries choosing the road of socialism. The Declaration of the Meeting of the Representatives of Communist and Workers' Parties of the Socialist Countries (November 1957) summed up the experience of the practical implementation of the tasks of the proletarian revolution in different countries, and on this basis formulated the following general laws: leadership of the working people by the working class, whose nucleus is the Marxist-Leninist party, in carrying out a proletarian revolution and establishing a dictatorship of the proletariat; an alliance of the working class with most of the peasantry and other sectors of the working people; the abolition of capitalist ownership and the establishment of social ownership of the

basic means of production; the gradual socialist transformation of agriculture; planned economic development aimed at building socialism and communism, and at raising the working people's living standards; a socialist revolution in ideology and culture, and the training of many intellectuals loyal to the working class, to all the working people, and to socialism; abolition of national oppression and the establishment of equality and fraternal friendship among the peoples of the country; defence of the gains of socialism from internal and external enemies; solidarity of the working class of the given country with the working class of other countries — proletarian internationalism. The Marxist-Leninist theory of the transition period provides scientifically-grounded and time-tested guidelines which help the socialist-oriented countries correctly deal with the problems of rebuilding their societies.

Personal Property, economic relations that pertain to individual members' appropriation of material values for fulfilling their individual needs. In its social and economic content, personal property under capitalism and under socialism are totally different in principle. In a bourgeois society the personal property of the exploiter classes is a kind of private property (see *Ownership*). Why this is so is, first, because its source is the appropriation, without pay, of the *surplus value* created by hired labour thanks to private capitalist ownership of the means of production; and, second, because the exploiter classes can always convert some of their personal property into private property and use it to exploit hired labour. The labour of the working people in the capitalist countries is the source of their personal property. The amount of personal property owned by almost all the working people is limited by their wages (see *Wages under Capitalism*), which are, in turn, limited by the cost of *labour power*. Constantly rising inflation in the bourgeois world and the policy of the imperialist states of raising income taxes, freezing wages, etc., result in a further decline in the real incomes of the working people and limit the size of person-

al property they possess. However, personal property under socialism radically differs from private property: personal property cannot be converted into capital and used as a means of exploitation. It implies primarily the ownership of consumer goods which satisfy the individual's requirements. The source of all personal property is the individual's contribution to social production. All other conditions being equal, the amount of personal property one possesses depends upon the development level of social property. The implementation of the principle of distribution according to work, which in the main determines the amount of personal property, leads to an increase in the scope of social property. The right of every person to work realised in socialist society guarantees their material prosperity, while the steady increase in the *efficiency of social production* provides a sound foundation for the systematic increase in the amount of personal property people possess and for the rising living standard. The *personal subsidiary small holding of a collective farmer* which is maintained by the labour of the collective farmer and his family, and which is a source of additional income, is a specific type of personal property under socialism. Personal property and the right of inheritance are protected by the state. As society advances towards communism the needs of the members of socialist society for personal consumption goods are met more and more fully. The share of goods that further expand the individual's cultural and spiritual horizons increases steadily as a part of his personal property.

Personal Subsidiary Small Holding of a Collective Farmer, a specific type of *personal property* in the USSR which includes small ancillary buildings (such as sheds), livestock, poultry, bee-hives, vegetable gardens, orchards and agricultural implements, all of which are on a plot of land allotted to him by the collective farm. The size of the personal plot of land and the legal quota of privately-owned livestock are determined by the collective farm charter. The personal plot cannot be given to other persons

or worked with the aid of hired labour. Subsidiary small holdings are needed because of the inadequate level to which the productive forces have developed. Social production and the rural retail network cannot yet completely meet the demands of the rural population for farm products. A large part of the farm products come from subsidiary small holdings. Furthermore, the level of social production and public services that has been reached in rural areas means that some of the population groups (many women, pensioners and adolescents) are now able to spend time working exclusively or predominantly on their small plots. Collective farmers and other categories of the rural population work on their plots during their free time. Subsidiary small holdings, being a relatively large sphere of work, are an important source of additional income for collective farmers. They primarily meet the needs of the owners and, as well, provide the urban population with agricultural products. Collective and state farms are the chief suppliers of produce, as they are the most advanced, mechanised and largest, and the personal subsidiary small holdings depend upon them completely. Collective farms provide their members with most of their livestock, grazing land, hay and fodder as well as young plants; they help with the tilling and transporting the produce, etc. Social production, which is the principal area in which the collective farmers apply their labour and principal source of income, increasingly determines their standard of living and all-round development. Therefore, one should neither underestimate nor overestimate the significance of the subsidiary small holdings, as this can have a detrimental effect on social production. The Constitution of the USSR proclaims: "The state and collective farms provide assistance to citizens in working their small holdings." At the same time, it obliges citizens to "make rational use of the land allotted to them". Since the personal subsidiary small holdings develop within the system of socialist *relations of production* and depend wholly on social production, they are not and cannot become a type of

private property (see *Ownership*). Today the basic means of developing personal subsidiary small holdings are as follows: forging stronger ties with social production, with the latter playing a dominant role; improving the supply of all necessary material resources and technical means; offering regular agricultural, zootechnical and veterinary aid to those who possess subsidiary holdings; facilitating and regulating the sales of excess produce raised on the personal subsidiary small holdings. The expansion and increasing profitability of social production and providing the rural population with all necessary consumer goods and services form the economic basis for the gradual elimination of personal subsidiary small holdings in the future.

Personal Union (Link-Up), one of the principal ways in which capitalist monopolies and state bodies, and capitalist monopolies themselves become integrated. Lenin revealed its essence in his analysis of imperialism, pointing out that at the imperialist stage a "personal link-up, so to speak, is established between the banks and the biggest industrial and commercial enterprises, the merging of one with another through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and vice versa" (V. I. Lenin, *Collected Works*, Vol. 22, p. 220). The personal union of the banks and industry is supplemented by the personal union of financial magnates and government officials. Top people in government and the civil service become top executives of monopoly associations; monopolists are selected for cabinets and to head government bodies. The appearance after World War II of economic councils at monopolistic banks, which consolidate the links within the financial oligarchy, is a new phenomenon in the development of personal union. The existence of transnational corporations has led to the situation where monopolists of one country often hold key posts in banks and industrial monopolies of other capitalist countries.

Petrodollars, considerable means obtained by the oil-producing developing countries in connection with the soaring prices of oil and used on the international market as *loan capital*. As a result of the oil-producing countries' struggle against British and US oil monopolies, they have managed to increase their profits from oil, intensify their control over oil production and secure a sharp rise in oil prices. The backwardness of the economic and social structure of many of these countries hinders the use of the means obtained from oil sales for the needs of national development. In a number of Arab countries, a significant part of the profit from oil goes to the parasitic feudal upper crust and is invested in banks mainly in the United States and Western Europe. In 1974 and 1975 alone, such investments (excluding government loans to the developing countries and payments to international organisations) made up over 60 billion dollars. Petrodollars have become the most important source of the funds on the West European capital market, facilitating the growth of inflationary tendencies, acting almost exclusively as short-term investments and intensifying the instability of the capitalist countries' financial system during the *monetary crisis*. Spontaneous transfers of considerable short-term investment sums from one country to another in order to obtain high interest rates have repeatedly led to a sharp deterioration in the balance of payments of certain West European countries and to the ruin of many, even big, merchant banks. At the same time, petrodollars have become an additional source of financing for the economies of the developed capitalist countries. Further, they are becoming increasingly concentrated in the banks of the oil-producing countries themselves, which have begun to credit industrial, commercial and finance companies in various countries, including the oil-importing ones. Today, the petrodollar market is an arena of competition between the banks of the developed capitalist countries, which initially dictated their conditions for the use of these funds, and those of the oil-producing countries,

which are striving to become equal partners in international money and credit relations.

Physical Wear and Tear of the Means of Labour, the wear and tear as a result of which the means of labour (see *Means of Production*) lose their technological and production qualities and use value. "The material wear and tear of a machine is of two kinds. The one arises from use, as coins wear away by circulating, the other from non-use, as a sword rusts when left in its scabbard" (K. Marx, *Capital*, Vol. I, p. 381). The wear and tear of the first kind is to a greater or lesser extent proportional to the use of the machine, while the wear and tear of the second kind is inversely proportional, to a certain extent, to its use. Under socially normal conditions of the use of the means of labour, their value is returned at the cost of its being transferred, by parts, to the product being created. The cost of the means of labour, transferred to the product proportionally to their wear and tear, assumes the form of depreciation deductions (see *Depreciation*), which are used for the full or partial restoration of the means of labour. If the means of labour are used in conditions below the socially normal (idling, breakdowns, low intensity of use, etc.) wear and tear is not restored, and entails losses. The physical wear and tear of the means of labour from non-use also ends in irretrievable losses and reduction of the *national wealth*. Good care of the means of labour, their speedy introduction into production and the observance of maintenance standards considerably reduce physical wear and tear. All these factors prevent the means of labour from premature breakdowns and idling. Alongside the physical wear and tear there is also the *obsolescence of the means of labour*.

Physiocrats, representatives of *classical bourgeois political economy* in the mid-18th century in France. The school was headed by F. Quesnay. Physiocratic theories emerged in the context of the mounting crisis of the feudal system and of the

economic decay of France. Criticising *mercantilism*, the physiocrats thought that the government had to focus attention not on the development of trade and the accumulation of money, but on the creation of an abundance of the "fruits of the earth", in which, they claimed, the real wealth of the nation lay. The problem of *surplus value* or of "net product" which they pictured as a certain increase in use values, and not as a value increment, underlay the physiocratic economic theory. They regarded nature as the only source of wealth and, therefore, saw surplus value as nothing but a physical gift of nature. They held that agriculture was the only branch where the net product was produced. The physiocrats called those engaged in agriculture the productive class. They identified industry as a "barren" sphere which did not create "net product", and therefore thought that workers engaged in industry were a barren class. The physiocrats are credited with moving the question of the origin of social wealth and surplus value from the sphere of circulation to that of material production, albeit limited by agriculture alone. Thus, they laid the scientific groundwork for the analysis of capitalist production as a whole. The physiocrats advocated unlimited rule of private ownership, free competition and free foreign trade. The most valuable part of their theory was that they based the status of classes in society on its economic structure. The scientific merit of the physiocrats is that unlike the mercantilists, who identified *capital* with its money form in which it operates in the sphere of circulation, they regarded capital in the form it assumed in the production process. They laid the foundation for a scientific analysis of fixed and circulating capital in the form of a theory of initial and annual advanced money. The physiocrats were the first in the history of economic thought to examine the laws of reproduction and distribution of the aggregate social product under capitalism (Quesnay's *Tableau Economique*). The founders of Marxism were very appreciative of this attempt, and regarded it as outstanding for its time.

Plan Indices of Socialist Enterprises (Production Associations), plan assignments determining the main aspects of their activity. A system of indices is used to evaluate the effectiveness and quality of the work done by collectives and to harmonise their interests with those of society as a whole. According to the procedure existing in the USSR, the following indices and economic standards (broken down into years) are to be approved in five-year economic and social development plans: in production — the growth of *rated net product*, and in certain industries the increase in *commodity output* in comparable prices, production of staple goods in kind, including export items, the growth of the production of quality products or other index of the *quality of output* established for a given industry; in labour and social development — increased *labour productivity* calculated in rated product or another index more precisely reflecting the changes in labour expenditure in individual industries, and also the *wage rate* per rouble of output according to the index applied for planning labour productivity; in individual branches — the total wage fund, the limit on the number of industrial and office workers, assignments for cutting down the manual work force, standards for the formation of material incentives funds, social and cultural measures and housing construction; in finance — the total profit, and in individual branches — the reduced cost price (state budgetary receipts and allocations are also approved for industries in which overall profit distribution rates have been established); in capital construction — the putting into operation of fixed assets, production capacities and projects, in particular capacity increases as a result of technical re-equipment and reconstruction of operating enterprises, limits of state capital investment and building and assembly, including expenses on technical re-equipment and the reconstruction of operating enterprises, and rates for the formation of the production development fund. In the introduction of new technology the following is to be approved: the basic assignments in the im-

plementation of scientific and technical programmes, the working out, development and introduction of new and highly effective technological processes and new types of product, including those in the newly commissioned enterprises and projects, the basic indices of the technical level of production and key types of product, the economic effect of scientific and technical measures, standards for the formation of a single fund for scientific and technological development (for ministries); in material and technical supply — the volume of deliveries of the basic types of material and technical resources necessary for fulfilling the five-year plan, assignment for the average lowering of norms for expenditures of the key material resources. Beginning with the eleventh five-year plan period (1981-1985), the same assignments will be given to enterprises (associations) in the annual economic and social development plans, which will concretise and in some cases specify the assignments set for the year concerned. In certain instances, ministries present enterprises (associations) with estimated indices alongside approved indices. The following indices are estimated: the amount of marketable output to be manufactured by enterprises and associations for which the increased production of *net product* has been set; the total wage fund of enterprises and associations for which the wage rate per rouble of output has been set; the total of profits of those enterprises for which assignments for cost price reduction have been set. These indices approved in a centralised way are supplemented by indices worked out by the enterprises and associations themselves. They are used by planning and economic bodies as estimated indices in compiling economic and social development plans. Among the estimated indices are: economised fixed production assets, material expenditures, the labour remuneration fund, expenditure per rouble of marketable or gross output, output-asset ratio in commodity or gross product, net output per rouble of expenditure, and the volume of building and assembly done by one's own resources. To provide eco-

nomic incentives to enterprises (associations), some of the approved indices are made fund-forming, i. e., used to establish a quantitative dependence between the degree to which a plan is fulfilled (or the level of production achieved) and the size of the *economic incentives funds*. The system of plan indices is improved in the USSR in order to give them a greater impact on the technical level of production and product quality, on the growth rates of labour productivity and the economical use of material, labour and financial resources.

Planned and Balanced Development of the Socialist Economy, objective economic form of the functioning of socialist production which expresses its immediate social regulation for the purpose of the fullest possible satisfaction of the material and cultural requirements of society. Planned and balanced economic development expresses the objective need for co-ordinated management on the scale of society as a whole and the resultant centralised economic planning. Planned and balanced economic development means a constant, consciously maintained correspondence (proportionality) of all structural links of the economy. Lenin wrote: "Constant, deliberately maintained proportion would, indeed, signify the existence of planning..." (V. I. Lenin, *Collected Works*, Vol. 3, p. 617). All aspects of the economic life of socialist society, of relationships and links between economic sectors, trends in and rates of production, the location of the productive forces, etc., are determined directly by society. Balanced development is an inherent feature of public ownership of the means of production. Being the owner of the key means of production, socialist society in the person of the state takes account of its aggregate requirements and existing labour and material resources. In this way it can directly organise the utilisation of the production factors, and distribute them among the economic regions, industries and enterprises in the proportions necessary for the best possible satisfaction of social requirements. As the universal form of the

economic links between producers, planning ensures the rational functioning of social production. That is why, after winning power and nationalising the means of production, the working class must establish a complex network of new organisational relations embracing the planned production and distribution of goods. The material conditions for planning are created during the emergence and development of large-scale mechanised production. Planned regulation of production is made necessary by the social character of production typical of large-scale industry. However, planned and balanced economic development is only possible as a result of abolishing capitalist ownership of the means of production and establishing socialist ownership. "The essence of bourgeois society," wrote Marx, "consists precisely in this, that *a priori* there is no conscious social regulation of production" (Marx, Engels, *Selected Correspondence*, p. 197). Public ownership makes it necessary to ensure the unity of the working people's actions, and creates the conditions for scientific prevision of the directions of technical progress and the development of requirements. Anarchy in social production is abolished, and *economic crises of over-production* become a thing of the past. Under socialism, the level of planned development depends on the level which ownership of the means of production has attained (on the differences between state, i. e., belonging to all the people, and collective farm-and-cooperative property) and on the existence, alongside labour that has been socialised on the national economic scale, of labour socialised largely on collective farm and cooperative enterprises and of labour on the *personal subsidiary small holding of a collective farmer*. At the stage of mature socialism, the development of *relations of production* and of the *scientific and technological revolution* makes the *social character of production* more pronounced. The economic structure undergoes progressive changes, and the links in the *integral national economic complex* become increasingly varied and involved. This tends to heighten the level of regular links and to expand their scope. It also

strengthens centralised planned management of social production through increasing the role of long-term state plans and, above all, the five-year plans as an important instrument in implementing the economic policy of the CPSU, in ensuring that the plans are balanced and that they are oriented towards dealing with social tasks, towards the implementation of state target programmes, and towards increasing the *efficiency of social production* and the *quality of work*, towards the fuller satisfaction of the growing social and personal requirements. The highest, communist stage of planning is achieved through the building of the *material and technical base of communism*, the development of *state socialist property (belonging to all the people)*, the strengthening of its ties with *collective farm-and-cooperative property*, and their gradual convergence and subsequent merger into one kind of communist property (see *Law of Planned, Balanced Development of the Economy; Economic Planning; Long-Term Planning*).

Policy of Economies, a method of socialist management of the economy which ensures comprehensive saving and the most effective employment of living and materialised labour in all spheres of activity. A thrifty attitude to public property is conditioned by socialist property relations and is a norm of socialist management. In the *production sphere* the policy of economies ensures increased production with available resources, lower inputs of labour and money per unit of output; accelerated economic development and, ultimately, greater satisfaction of social needs. The implementation of the policy of economies is a major prerequisite for improving the *efficiency of social production*. In the *non-production sphere* it also helps reduce the cost of services, expand their volume and improve their quality, with minimal outlays. The policy of economies requires the most effective utilisation of manpower, material, financial, and natural resources. Under capitalism, the owners of enterprises and companies do their utmost to cut down costs necessary

for normal conditions of labour and safety — often to the detriment of the workers' health — in the quest to increase their profits. The principal saving tool under capitalism is the intensification of *exploitation* of man by man. Under socialism, the policy of economies presupposes everybody's care for socialist property and the profound interest of every worker in its protection and expansion. The desire to reduce waste is a most important feature of the socialist management of the economy, and stems from the nature of *relations of production* and the common interests of all members of society, collectives of enterprises, and the state. Working time and material resources are saved at enterprises through a set of related production and technological, organisational, economic, and political and educational endeavours. Among the production and technological endeavours are *comprehensive mechanisation of production* and *automation of production* which ensure lower labour costs per unit of output, better design of products to reduce their weight and dimensions while improving their techno-economic characteristics, the introduction of advanced production techniques, full use of production waste, secondary material and power resources, etc. The organisational efforts are aimed at tightening *labour discipline*, increasing responsibility for intelligent use of resources, and improving the organisation of production and labour. The economic efforts include planning for savings, the consolidation of *cost accounting*, the introduction of scientifically sound standards for labour, material, fuel, and energy expenditures and utilisation of facilities, and improved system of economic indices, book-keeping and control, better material incentives to economies, and greater responsibility for overspending. Standards are a major tool in guaranteeing the policy of economies. A decision by the CPSU Central Committee and the Council of Ministers on improving the economic mechanism calls for including into new or revised standards the requirements which would ensure reduction of the weight of articles and fuel and energy consumption in the operation of plant

and machinery. *Socialist emulation* for economising and better use of all resources is given all the encouragement possible. The effective combination of all techniques and methods for ensuring the implementation of the policy of economies is obtained through the development and realisation of comprehensive target-oriented programmes which are based on functional cost analysis for detection and elimination of unreasonable costs. For the short term, the priority is development of a comprehensive target-oriented programme for fuel and metal saving. The above decision of the CPSU Central Committee and the Council of Ministers obliges planning and economic bodies to envisage measures to intensify the policy of economies and eliminate waste in their plans for the country's economic and social development.

Political Economy, science which studies the social relations that evolve between people in the process of the *production, distribution, exchange and consumption* of the material benefits. Political economy is a component of Marxism-Leninism. It appeared as a science during the emergence of the *capitalist mode of production*. Its name comes from the Greek words *politikos* — state, social, and *oikonomia* — managing the household economy (from *oikos* — house, household, and *nómos* — the law). Political economy has always been a class science. Its representatives have always expressed the interests and ideology of a definite class and have tried to justify the economic policy corresponding to its interests and protecting them. The first systematic attempt to understand the economic phenomena of the nascent capitalist system and to justify the state's economic policy was *mercantilism*, which expressed the interests of the bourgeoisie, above all the commercial bourgeoisie. However, the mercantilists limited themselves to analysing the process of circulation and thus failed to disclose the inner laws of the capitalist mode of production. Representatives of classical bourgeois political economy (see *Political Economy, Classical Bourgeois*)

ois), William Petty, F. Quesnay, Adam Smith and David Ricardo shifted their analysis from the sphere of circulation to the sphere of production. The greatest contribution of this school was the theory of labour value. Quesnay, who headed the school of *physiocrats*, was the first to attempt to portray the process of social reproduction as an integral system. Classical bourgeois political economy was progressive because it defended the interests of the bourgeoisie in the period when it was an ascending class and the bearer of more progressive social relations than those existing under feudalism. The internal contradictions of the capitalist system were just evolving and could not fully reveal themselves. Limited by the narrow framework of bourgeois views, the representatives of this school were unable to grasp the historically transient character of capitalism, to delve into the mystery of *surplus value*, or to reveal the *dual nature of labour*. As capitalism developed and its inner contradictions heightened, and as the antagonisms between wage labour and capital grew, bourgeois political economy lost its scientific character. Classical political economy was replaced by *vulgar bourgeois political economy*. Its representatives — Malthus, Say, Bastiat and others neglected the internal laws of the capitalist mode of production, and attempted to gloss over its contradictions and create a semblance of "harmony" of class interests. The interests of the urban and rural petty bourgeoisie were defended by *petty-bourgeois political economy*, represented by Sismondi and Proudhon. While criticising the contradictions of the capitalist system, they did not see the way out, and called for a return to outdated, archaic economic forms. Karl Marx and Frederick Engels revolutionised political economy, as well as all the social sciences. They created a genuinely scientific, proletarian political economy, gave concrete proof of the historically transient character of the capitalist mode of production, revealed the laws of its development and proved that it would be inevitably replaced by the *communist mode of production*. They comprehensively substantiated the

mission assigned to the proletariat by history as the grave-digger of capitalism and builder of the new, communist society. Marxism embraced, revised and creatively developed all the best created in social thought prior to its emergence, producing a consummate theory. The political economy of Marx and Engels consistently expresses the interests of the working class which coincide with the vital interests of all working people and the progressive development of the productive forces.

This enables it to combine strict scientific approach and consistent Party commitment. *Capital*, the central Marxist work of political economy, comprehensively explained the immanent laws of development of the capitalist mode of production. Based on his theory of the dual character of labour creating a commodity, Marx disclosed the inner contradictions of the capitalist system. A great achievement of Marxist political economy is the theory of surplus value, which helped to show the inner processes of capitalist production, tearing off the shroud veiling the secret of capitalist exploitation. Marxism did not limit itself to a comprehensive explanation of the system of economic categories and laws of the capitalist mode of production. It created political economy in the broad sense as a science of the conditions and forms in which production and exchange are carried out in various societies, and how products are distributed (see Frederick Engels, *Anti-Dühring*, pp. 180-81). Marx and Engels elaborated the basic provisions of the political economy of the primitive communal, slave-owning, and feudal modes of production, revealed the laws governing the transition from capitalism to socialism, and formulated several fundamental provisions of the political economy of socialism. The method of political economy is the sum total of the methods of cognising production relations and reproducing them in a system of economic categories and scientific laws. The method of Marxist-Leninist political economy is dialectical materialism, which studies the general laws governing the development of nature, society and human thought. Research into

production relations also makes use of more concrete methods, such as analysis and synthesis, induction and deduction, the unity of the historical and logical, and qualitative and quantitative approaches. The development of a genuinely scientific method of studying production relations was a component of the revolution wrought by Marx and Engels in political economy. The serious flaws in bourgeois political economy, such as subjectivism, anti-historicism, and the primacy of exchange and consumption over production, were all overcome. The new stage in the development of proletarian political economy is associated with Lenin (see *Lenin, Vladimir Ilyich*). He creatively developed and enriched the general theory of political economy and made an important contribution to the development of the political economy of the capitalist mode of production by his theory of monopoly capitalism (see *Imperialism*), revealing its economic essence and principal features, and determining the nature and historical place of *state-monopoly capitalism* as the comprehensive material preparation for socialism. Having ascertained the specific action of the *law of the uneven economic and political development of capitalism in the age of imperialism*, Lenin inferred that socialism can initially triumph in several or even one individual country. He made a great contribution to Marxist economic theory by creating the fundamentals of the political economy of socialism. Lenin formulated a comprehensive theory of the *period of transition from capitalism to socialism* and developed a theory of the two phases of the communist socio-economic formation, making a scientific prediction of *developed socialism*. In the context of the world's division into two systems and the heightening of the internal contradictions of capitalism, the crisis of bourgeois political economy is deepening. Bourgeois political economy has abandoned its traditional concepts of the advantages of unfettered free competition and is looking for ways to save capitalism from crises and unemployment via *state regulation of the capitalist economy*. The first to suggest that state regulation of the economy could be a means of over-

coming the contradictions of the capitalist mode of production was Keynes (see *Keynesianism*). A widespread theory of modern bourgeois political economy is that of transformation of capitalism, including the theories of stages of economic growth (Walt Rostow), "uniform industrial society" (Raymond Aron), "new industrial society" (John Galbraith), and "post-industrial society" (Daniel Bell) (See *Theory of Industrial Society*). While recognising that the contradictions of capitalism do exist, these bourgeois economists are trying to depict modern bourgeois society as non-capitalist. A profound crisis of bourgeois political economy found its reflection in the *theory of convergence*, which maintains that the two systems, capitalism and socialism, are gradually becoming more and more alike. While it neglects the profound roots of the economic systems, above all of the fact who owns the means of production, and has moved research to the sphere of technological laws and external economic forms, modern bourgeois political economy is trying to disguise the antagonistic contradictions of capitalism and to find means to preserve it. The profound changes that have occurred in the socio-economic sphere today have confirmed the validity of Marxist-Leninist political economy and made it necessary to develop it further. Being a creative science, it is constantly developing, and being enriched with new theoretical propositions and conclusions. The documents of the CPSU and the fraternal Marxist-Leninist parties, and works by Marxist researchers have formulated new fundamental tenets for the economy of developed socialist society, for the system of economic laws of socialism and for the mechanism of their purposeful utilisation. They have worked out a theory of the effectiveness of socialist production and planned economic management, and devised a theory of the world socialist economy and socialist economic integration, which has led to the creation of a political economy of socialism. The theory of the general crisis of capitalism, has been further developed, too. In the socialist countries, political economy is coming

to play a greater role in scientifically substantiating economic policy and improving the mechanism and methods of economic activities and management.

Political Economy, Classical Bourgeois, a progressive trend in bourgeois economic thought which arose in the period of the establishment of the capitalist mode of production and the undeveloped class struggle of the proletariat. It protected the interests of the industrial bourgeoisie in its struggle against feudalism, and reached its highest development in Britain which at that time was the most developed capitalist country. Its outstanding representatives were William Petty, Adam Smith and David Ricardo, while in France there were Pierre Boisguilbert and the *physiocrats*, and Simonde de Sismondi in Switzerland. Marx wrote that "by classical Political Economy, I understand that economy which, since the time of W. Petty, has investigated the real relations of production in bourgeois society" (Karl Marx, *Capital*, Vol. I, p. 85). Classical bourgeois political economy is one of the sources of Marxism. What lent distinction to its representatives was that they laid the foundation of the labour theory of value, and made the first attempts to examine certain forms of surplus value and to study capitalist reproduction. For this they used a new method, i. e., to penetrate the heart of the matter by using abstract scientific concepts. At the same time their method was, however, unhistoric and metaphysical. Recognising capitalism as an eternal and natural form of production, classical bourgeois political economy viewed the economic categories of capitalism as eternal and natural, which changed only quantitatively. It failed to realise that economic categories expressed the relations of social production, and that under capitalism these relations are fetishised and represent the social properties of things. A major achievement of classical bourgeois political economy was the discovery of the labour theory of value. Its theorists established that the value of a product is determined by the labour required for its manufacture. They noticed that the

value of a certain commodity is inversely proportional to labour productivity. But they failed to study the character of labour creating these commodities, as they also failed to investigate why a product of labour assumes a form of commodity, and confined themselves to an analysis of the magnitude of value. Although maintaining that the magnitude of value is determined by necessary labour, classical bourgeois political economy could not scientifically validate this conclusion since it lacked the qualitative characteristic of value as an expression of production relations in commodity production. For the same reason the bourgeois classical economists could never produce a form of value, i.e., exchange value, from the analysis of a commodity. They considered the form of value as something external and remote from the nature of a commodity. As they failed to study the form of value, bourgeois economists could not understand the essence and functions of money. While believing correctly that the labour theory of value represents the point of departure in analysing capitalism, Ricardo tried to reduce all the most important economic categories to this common basis. Thus, considering that wages and profits were two parts of value created by labour, and noting the opposite directions of their movement, Ricardo in fact pointed to the opposite interests of the capitalists and workers. Classical bourgeois political economy could not, however, provide a scientific explanation for the way profit was appropriated from the viewpoint of the labour theory of value, since it believed that the worker sells his labour, not his labour power. While equalising surplus value and profits, Ricardo could not resolve the contradiction between the law of value and the tendency to obtain equal profits from equal amounts of capital. Classical bourgeois political economy laid the cornerstone for the analysis of *capital*. Karl Marx called the economic table drawn up by the leading physiocrat François Quesnay the result of an idea of genius. This was the first attempt to schematically present the process of reproduction by using abstract scientific notions. While discussing the structure of capital, the representatives

of classical political economy noticed the difference between fixed and circulating capital. They could not, however, see in capital the expression of production relations. They associated capital with its physical forms such as money, means of production, and commodities. For the same reason they could not explain why the commodities possessed by a capitalist are capital, and are income when owned by a worker. While erroneously believing that the value of the social product completely disintegrates into incomes (Adam Smith's thesis), classical political economy obscured the way to an understanding of capitalist reproduction. The advocates of classical bourgeois political economy pointed to certain contradictions of capitalism. Thus, Sismondi criticised capitalism from the petty-bourgeois viewpoint; he put forward the idea of the working masses' impoverishment and maintained that economic crises were inevitable under capitalism. However, Sismondi, a typical representative of romanticism in the economic science, failed to understand the reason for these contradictions and the ways to resolve them. He tried to turn the wheel of history backwards, to small-scale production. The bourgeoisie's winning of political power and the aggravation of the class struggle of the proletariat "sounded the knell of scientific bourgeois economy" (Karl Marx, *Capital*, Vol. I, p. 25). Apart from the scientific elements, classical bourgeois political economy also contained vulgar elements, as the theorists did not always try to look behind the surface of things in bourgeois society so as to gain greater insight. Among such, for instance, were their notions that wages are the price of labour, and that rent is a godsend, etc. These vulgar elements magnified into *vulgar bourgeois political economy* whose purpose was to provide a foundation for the struggle against the working-class movement. The decay of classical political economy was accelerated by the fact that the Utopian Socialists (see *Utopian Socialism*), being the first spokesmen of the working people's interests, tried to turn the labour theory of value against the bourgeoisie by advancing the slogan that the

working people had the right to the whole product of their labour and that society had to be transformed to achieve this goal. Modern bourgeois economists try to bury in silence the achievements of classical bourgeois political economy in developing the labour theory of value by highlighting its vulgar elements. Some critics try to oppose classical bourgeois theory to the ideas of Marx by claiming that its representatives did not write anything about the contradictions of capitalism or the worsening of the working people's living standards. Others, on the contrary, believe that Marx borrowed the labour theory of value from Ricardo, and criticise Marx in the same way as vulgar economists once criticised Ricardo. At the same time there are several economists who advocate a "neoclassical synthesis" which combines modern methods of the microeconomic analysis of national product and income with the principles of classical bourgeois political economy. However, here again its vulgar elements are involved. To a certain extent, all these trends testify to the crisis of modern bourgeois political economy, which has turned to classical bourgeois theory in the search for the means of struggle against Marxism-Leninism.

Political Economy, Petty-Bourgeois, a trend of bourgeois political economy reflecting the ideology of the intermediary class of capitalist society — the petty bourgeoisie. It appeared at the beginning of the 19th century following the extensive proletarianisation of the petty bourgeoisie engendered by the industrial revolution of the end of the 18th and beginning of the 19th centuries. Its founders are the Swiss economist Simonde de Sismondi (main work *Nouveaux Principes d'économie politique* — 1819) and the French economist Pierre Joseph Proudhon (*Système des contradictions économiques ou philosophie de la misère* — 1846). The dual social and economic nature of the petty bourgeoisie, which on the one hand, like the working class, is exploited and impoverished by big business, and on the other is a class possessing private property, predetermines the dual character of petty-bourgeois politi-

cal economy. It both criticises those manifestations of capitalism which directly clash with the interests of the petty bourgeoisie (commercial and banking capital, high concentration of capital and private land ownership, capitalist monopolies, economic crises, etc.) and, on the other, defends the general foundations of the capitalist economy (private ownership of the means of production, free enterprise, etc.), although it is they that give birth to big monopoly capital, which exploits and even ruins it. It is this duality of petty-bourgeois political economy which prevents it from revealing the socio-economic essence and the real means of resolving the contradictions of capitalism. The methodology of petty-bourgeois political economy is also dual and eclectic. As ideologists of a socially unstable class, petty-bourgeois economists see the foundation of the historical process not in the development of the social mode of production, but in the moral ideals of "good", "justice", etc., which they interpret in a petty-bourgeois way. They use the ethical method, which instead of a scientific analysis of the objective laws of social development utilises an ethical appraisal of them from the standpoint of petty-bourgeois interests — in fact the essence of "economic romanticism". Side by side with it, the contradictions between the interests of the small and big business cause those expounding this trend to interpret several socio-economic processes from the materialist position, although not going beyond metaphysical materialism. Big business exploits the petty bourgeoisie, primarily in the sphere of circulation. Therefore capital is usually identified with the forms which it assumes in the sphere of circulation, i. e., with commercial and loan (usurious) capital, while the content of the process of exploitation is treated as a non-equivalent exchange, ensuing from deviations from the law of value. For the same reason the sphere of circulation is treated as the subject matter of political economy, and the exchange conception becomes its method. The idealisation of commodity relations, which are treated as "just", "equivalent", etc., are typical of petty-bourgeois economy. Petty-bourgeois political economy is uto-

pian because it criticises capitalism from the standpoint of the obsolete forms of economic relations, and advocates the restoration of petty-bourgeois relations which are incompatible with present-day level of the productive forces of society. Marx and Engels singled out two main currents of petty-bourgeois political economy. The first tries to restore "the old means of production and of exchange, and with them the old property relations, and the old society" (K. Marx, F. Engels, *Collected Works*, Vol. 6, pp. 509-10). Associated with this current are the theories of the liberal Narodniks in 19th-century Russia, and the modern theories of African, Asian, Indian, etc., "socialism" which extol the communal organisation of agriculture, the development of the petty handicraft industry, original and national socio-economic development, and a third road — neither capitalist nor communist — way of social development. Those espousing this current deny the objective necessity of a high level of development of productive forces and socialisation of production on socialist basis as the objective and necessary conditions of socialism. The second current aspires "to cramping the modern means of production and of exchange, within the framework of the old property relations that have been, and were bound to be, exploded by those means" (K. Marx, F. Engels, *Collected Works*, Vol. 6, p. 510). An example is the theory of "democratic socialism" in the developed capitalist countries, which presents socialism as a certain "mixed economy", which combines social and private ownership of the means of production, free enterprise, competition, and the economic regulation by the bourgeois state ostensibly to ensure "universal welfare". The ideas of this theory about some kind of "fraternity" of workers and capitalists as the foundation of socialism, about the development of the socialist structure within the capitalist system, the denial of the necessity of class struggle, socialist revolution and the dictatorship of the working class as necessary conditions for the victory of socialism are the modern modification of the ideas of 19th-century petty-bourgeois socialism. Among

the revisionist forms of this current is the conception of market socialism (see *Theory of Market Socialism*) which in the final analysis undermines the economic and political pillars of socialism, replaces the planned socialist economy by chaotic market relations and creates conditions for restoring capitalism. In today's world imperialism tries to use both currents against the revolutionary working-class and national liberation movements. To extend its social base, the bourgeoisie tries to cloak several economic theories of big business in a petty-bourgeois form (such as economic conceptions of fascism with its ideology of the elimination of "percentage slavery", theories of people's capitalism, democratisation of capital, neo-liberalism, Keynesianism, human capital, monopoly competition, etc.). The contradictory position of the petty bourgeoisie in modern capitalism and its vacillations between the working class and bourgeoisie predetermine the dual social orientation of modern conceptions of petty-bourgeois political economy. On the one hand, this involves the extolling of reformist ways to resolve the contradictions of the capitalist mode of production, conciliation with imperialism and a reactionary Utopian search for a "third road" of social development, and on the other, at times sharp, although not always consistent criticism of the most odious manifestations of the contradictions of contemporary imperialism, especially in the concepts of the petty-bourgeois wing of "radical political economy" and the New Left, which, however, do not advance any positive programme to eliminate these contradictions. The true interests of the petty bourgeoisie should be directed towards securing its alliance with the revolutionary working class in the struggle to eliminate all forms of exploitation of man by man and to build a socialist society. Marx, Engels and Lenin provided a profoundly scientific and critical analysis of petty-bourgeois political economy in their works.

Political Economy, Vulgar Bourgeois, unscientific political economy, whose principal objective is to provide an overt *apologia* for capitalism; in the 1830s it replaced

classical bourgeois political economy (see *Political Economy, Classical Bourgeois*) as a result of the radical change in the social role of the bourgeoisie: from a progressive class combatting feudalism it had become a reactionary class, whose sole interest was to maintain its domination. It prevails to this day. The theorists of vulgar political economy confine themselves to describing the outer appearance of economic processes, as they are unable to scientifically analyse the laws of social development. The theory seeks to interpret the economic phenomena that are on the surface and adjust them to the practice of capitalist enterprise. The triumph of vulgar political economy signified the emergence of a crisis in bourgeois political economy. The vulgarisation of political economy is a long and contradictory process of the degradation of bourgeois economic science. Four stages can be determined: 1) Emergence of vulgar political economy alongside and in the struggle against the classical school (late 18th and early 19th centuries). Its representatives were Thomas Robert Malthus in Britain and Jean Baptiste Say in France. 2) Its domination of bourgeois economic literature and evolution in the stage of Free Competition (1830s-1870s). Representatives: John Stuart Mill, John Ramsay McCulloch, Nassau William Senior, Alfred Marshall (all in Britain). 3) Vulgar political economy of the imperialist stage (1870s-1920s). Representatives: Karl Bücher, Gustav von Schmoller, and Werner Sombart in Germany; John Bates Clark in the USA; Carl Menger and Eugen Böhm-Bawerk in Austria, and Pyotr Struve in Russia. 4) Bourgeois political economy of the epoch of the *general crisis of capitalism* (from the 1920s to the present), represented by greatly varying trends in the developed capitalist countries. Vulgar political economy emerged as a result of the isolation and systematisation of unscientific elements in the theory of classical bourgeois political economy by those who tried to use them to refute the scientific discoveries of the classical school. For example, in regard to the theory of *value and surplus value*, vulgar economists do not recognise

that the value of a commodity is determined by the labour required to produce it, and that profit is the embodiment of that unpaid labour of wage labourers which the capitalist has appropriated without compensation. To explain the sources of commodity value and profit, they suggest "factors of production"—labour, land and capital (see *Theory of Factors of Production*). This approach conceals the real source of value and surplus value and thus negates the fact that the working class is exploited by the capitalists. The vulgar nature of these economic theories is heightened as capitalism enters its highest and last stage—the stage of imperialism, and as ideas of scientific socialism spread among workers, and mass working-class parties appear. In this setting, alongside the methods of economic apologetics, applied in their old or modified forms, the non-economic form of vulgarisation of bourgeois political economy becomes increasingly widespread, and eventually prevails; phenomena, which are in fact outside the sphere of the economy, are cited to explain economic processes that take place under capitalism. Examples are the psychological (Austria, Britain and the USA), social and legal, new historical, biological (neo-Malthusianism), sociological (see *Institutionalism*), and other schools and trends. As the *general crisis of capitalism* set in and the world's first socialist state appeared as a result of the Great October Socialist Revolution in Russia, thus proving the transitory nature of capitalism, the apologetical myth that the capitalist system would exist for ever collapsed. Bourgeois political economy was now vulgarised through the invention of unscientific concepts about the nature and historical trends of development in the capitalist and the socialist economies and through the elaboration of apologetical theories of state-monopoly regulation of the capitalist economy. In the 1920s, bourgeois-reformist theories of "neo-capitalism" made their appearance (concepts of people's capitalism, full employment, general welfare, etc.). Their emergence testified to the fact that in the new conditions bourgeois economists had to recognise the existence of acute conflicts and grave crisis processes in the capi-

talist economy. However, they tried to say these phenomena were accidental, and therefore remediable within the framework of capitalism. After World War II, the contradictions inherent in capitalism became unprecedentedly acute. The formation of the world socialist system and its dynamic evolution, the new level attained by the working-class movement in the industrialised capitalist countries, and the collapse of the colonial system under the blows of the national liberation movement wrought important changes in the forms of capitalism's ideological defences; this was expressed in the wide spread of vulgar concepts, e. g., the "transformation of capitalism" (see *Theories of Transformation of Capitalism*) into a kind of a non-capitalist system (the theories of consumer society, stages of economic growth, of industrial, post-industrial, post-capitalist, technetronic, super-industrial, post-civilised, programmed, post-bourgeois society, etc.). It all testified to the bankruptcy of bourgeois ideology, which is looking for more sophisticated ways to defend capitalism, because it is no longer in a position to cavalierly deny that tremendous social and economic changes are taking place in the world. What is vulgar and apologetical about the above-mentioned theories is that they describe contemporary state-monopoly capitalism as a system in which, thanks to the impact of certain factors, capitalism has evolved, or is evolving, into a kind of a non-capitalist organisation of society. The theories of the convergence, hybridisation, etc., of capitalism and socialism comprise a special group of concepts in the trend of vulgar political economy (see *Theory of Convergence*). As the world socialist system wins new positions, and socialist ideas become more attractive to the working people in the capitalist countries, while the antagonistic contradictions inherent in the world capitalist system are heightening during the third stage of its general crisis, vulgar political economy dons a pseudo-socialist and pseudo-Marxist attire. Real socialism is counterposed by alternative concepts of market, "democratic", and humane varieties of socialism, all of which amount to a sophisticated

form of defending the capitalist system. The *neo-classical trend in bourgeois political economy* and *Keynesianism* are also currents of vulgar political economy; their main purpose is to find a mechanism through which the capitalist economy can be regulated. Attempts by proponents of these theories to ameliorate the capitalist economy have all failed. Some bourgeois economists tried to find a way out of the impasse by the so-called "neo-classical synthesis"—a blend of neo-Keynesian and neo-classical concepts of reproduction aimed at "synthesising" the regulating role of the bourgeois state and the spontaneous self-regulation of capitalist reproduction through the market. The world economic crisis of 1974-75, however, proved that this variety of vulgar concepts of capitalist reproduction is utterly inconsistent. Another concept, that of "zero growth", and a monetary theory emerged in its place, each of them offering its own highly impracticable recipe for stimulating the capitalist economy. At the same time, some bourgeois economists strongly insisted on introducing direct state planning into the capitalist economy (John K. Galbraith); of course, this is futile, because private capitalist ownership of the means of production, capitalist competition and the aggravation of inherent class antagonisms in the capitalist economic system preclude economic planning in the interests of the working people on the national scale. Vulgar bourgeois economists are trying to adjust the apologetical dogmas of bourgeois political economy to the ongoing course of the world revolutionary process, of the aggravated general crisis of capitalism.

Price, the *value* of a commodity expressed in money. In commodity production based on private ownership of the means of production, price corresponds to value when the demand for a certain commodity coincides with supply. An insufficient supply of goods results in the price exceeding value, and vice versa, when the market is oversupplied with a certain commodity—the price drops below the value. The price of a commodity depends on three factors: the value of the commodity itself, the value

of monetary material (gold), and the relation between *supply* and *demand*. Although the prices of certain commodities deviate from their value, on the scale of society as a whole the sum of prices equals the sum of value for all commodities. The *law of value* finds its expression in the spontaneous fluctuation of prices, in their deviations from the social values of commodities and in the ultimate equality of the sum of prices and the sum of value. "Price is a manifestation of the law of value" (V. I. Lenin, *Collected Works*, Vol. 20, p. 201). In private ownership, objects which have no value (untilled land, in which no labour is invested, forests, labour power etc.) become objects of purchase and sale. Prices are set in the process of *competition* under the effect of spontaneous economic laws, principally, the law of value. In *simple commodity production*, prices fluctuate around the value; under capitalism, when commodities are exchanged as the products of capital, prices fluctuate around the *price of production*, which acts as a converted form of value. Under *imperialism*, two kinds of prices have evolved as a result of monopoly pressure: (1) non-monopoly prices (at which the commodities of non-monopoly or weakly monopolised branches are sold); and (2) *monopoly prices* (characterised by a prolonged and stable deviation from the value). The economic policy of the capitalist countries is aimed at regulating commodity prices in the interests of the monopolies. However, state-monopoly interference in price formation does not eliminate its spontaneity. Monopoly and state-monopoly prices serve as a means of additionally exploiting the working people through the circulation sphere; they are used to ruin small independent commodity producers and are instrumental in the imperialist policy of plundering the developing countries. This leads to a further aggravation of the antagonistic contradictions inherent in capitalism and to a deepening of the *general crisis of capitalism*. Under socialism, the content of price and its socio-economic functions and price formation differ in principle. Prices are set in a planned way with the state

consciously applying the economic laws of socialism and, above all, the *basic economic law*, the law of value, and the *law of the planned, balanced development of the economy*. Under socialism, there is no free play of prices. At collective farm markets in the Soviet Union supply and demand directly condition prices. But the sale of a sufficient amount of similar products at a firm and stable price by the state or by cooperatives has a great effect on their price. The most important feature of the pricing policy of the socialist countries is the gradual lowering of prices as the social production costs decline and a sufficient amount of products are accumulated. Prices express the result of the interaction of the entire system of socialist economic relations: between social production sectors, between society and enterprises, between the spheres and branches of the economy as regards commodities required by society and the extent of the socially necessary expenditures of labour, as well as distribution of the *net income of society* between them. The socialist state uses price formation both for the accounting of the expenditures of social labour and for influencing the economic processes which help to build communism. Deliberate deviation of prices from the value of commodities is used by the communist and workers' parties of the socialist countries as an economic policy lever. In this way the state influences the supply and demand of commodities, regulating their correspondence, redistributes resources between the branches of the economy and the reproduction spheres, facilitates the formation of progressive economic proportions and the best possible structure of production and consumption. By raising the price of a certain product the state stimulates the development of corresponding branches; by setting preferential prices for new machines and equipment, it makes enterprises economically interested in introducing modern machinery, etc. The USSR's single system of planned pricing includes *wholesale prices*, the purchasing prices of products bought from collective and state farms, and *retail prices*. Under *developed socialism*, the further stream-

lining of the scientific foundation of price formation and of pricing practices is extremely important, because it is linked with strengthening and developing *cost accounting*, raising the economic efficiency of capital investment, introducing new machines, etc.

Price of Land, capitalised *rent*. Land itself has no *value*, because it is not a product of human labour. However, in capitalist society land, like anything else, is an object of purchase and sale. When selling land, its owner, in essence, sells the right to the income he receives or will receive from it. Therefore, it is evident that the owner of the land will sell it only when the money received from the sale and put into the bank or loaned will bring him, in the form of *interest*, a profit equal to what he would make in rent. Before paying for it, the buyer of the land will compare the sum of the rent with the interest he would have received had his money remained in the bank. Therefore, the price of the land is determined, on the one hand, by how much rent it yields and, on the other, by the rate of loan interest. Under modern capitalism, state-monopoly measures to support farm capital, particularly the artificial increase in the prices of the products of large capitalist agricultural producers, encourages higher land prices. In socialist society, land is not a commodity. According to the Constitution of the USSR, land is the common property of the entire Soviet people. The land held by collective farms is given to them for free use in perpetuity.

Price of Production, converted form of *value*, which includes production costs and average profit. It is a category of the capitalist economy. Market commodity prices fluctuate around the production price. Value turns into production price as *simple commodity production* turns into capitalist production. In a simple commodity economy, and at the beginning of the development of capitalist production a commodity was sold at a price close or equal to its value. This was because of the weak links between production branches

and the difficulty of free movement of capital from one branch to another. The unevenness of the development of the capitalist economy leads to the technical equipment of one branch becoming higher than that of another. As a result, the *organic composition of capital* and, therefore, the *rate of profit* will be uneven. Hence, a greater competitive struggle between capitalists of different branches for the most profitable application of their capital (see *Inter-Industry Competition*). The drive for maximum *profit* from capital leads to a mass influx of capital into those industries where profit rates are higher. This, in turn, invariably results in changes in the correlation between the supply of commodities and the demand for them, and a deviation of price from value. In the final analysis, this entails the equation of the profit and establishment of the *average (general) rate of profit*. The deviation of the production price from value does not negate the operation of the *law of value*, because in the final analysis the sum of prices of manufacturers' production in the whole of society equals the sum of the manufacturers' values, while the production price, all the conditions being equal, coincides with the value. The production price is based wholly on the value of the commodity: the production price changes with the change in value. The law of value operates as the law of the production price, bringing indirect redistribution of the *surplus value* produced by the entire working class between the capitalists in accordance with the amount of their capital. Under imperialism, the monopolies sell their commodities not at the production price, but at monopoly prices, which considerably exceed production prices. This is how they obtain monopoly profits.

Primitive Accumulation of Capital, a historical process of the forcible conversion of immediate producers (principally peasants) into wage labourers, and the means of production and money into *capital*. Historically, it preceded the *capitalist mode of production*, and its groundwork was laid by the development of the *productive forces* and the

growth of commodity-money relations. The development of *manufactory* required free work-hands. This demand was met through the expropriation of the peasants and small craftsmen and the emancipation of peasants from serf bondage. The process began and assumed its classical form in Britain from the last third of the 15th century to the end of the 18th. The development of wool-processing manufactures in Britain stimulated sheep farming. Feudal lords enlarged pastures by seizing communal land and driving peasants from their plots. The state adopted laws enclosing communal land. In the course of the Reformation, peasants working on monastery lands were turned into proletarians. Following this, state land was plundered. It was presented as a gift, sold for a song, and joined to private estates. The forcible proletarianisation of the rural population was consummated in the "clearing of estates", when peasants were driven out of the "cleared" land. The mass of ruined peasants became paupers and vagabonds. The destitute small producers were turned into the wage labourers of capitalist enterprises in a coercive way that was sanctioned by legislation. Concurrently with the formation of the class of proletarians, riches were concentrated in the hands of a few owners, who had become capitalists. Although the methods by which the bourgeoisie began to enrich itself were varied, all of them were based on flagrant coercion, deceit, plunder and fraud, such as the seizures of colonies, the system of state loans and taxes and the policy of *protectionism*. State power appeared as concentrated and organised social coercion helping to turn the feudal system into the capitalist system. Marx wrote: "Capital comes dripping from head to foot, from every pore, with blood and dirt" (Marx, *Capital*, Vol. I, p. 712). In Russia, the primitive accumulation of capital was largely encouraged by the abolition of serfdom and the expropriation of peasants during the implementation of the 1861 peasant reform which Lenin called the "‘clearing of estates’ for capitalism by the *landlords*" (V. I. Lenin, *Collected Works*, Vol. 13, p. 277).

Primitive Communal Mode of Production, primitive type of cooperative or collective production, the first of the five modes of production known to history. It first appeared some two million years ago. Its essential features are: relations of production based on collective ownership of the means of production by individual communes; extremely backward productive forces; primitive tools of labour; collective labour. Collective labour and common ownership of the means of production determined the collective appropriation of the products made. All this predetermined economic equality of the primitive people, the absence of exploitation of man by man and of classes and consequently the absence of the state. Primitive society's economic development was subdivided, as Engels said, into two periods: "The period in which knowledge of the further working up of natural products" was acquired, or the period of the appropriating economy, and "the period in which knowledge of cattle-breeding and land cultivation was acquired, in which methods of increasing the productivity of nature through human activity" were mastered, or the period of the reproducing economy (see Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, p. 209). During these two periods, the organisation of society moved on from the primitive human herd to the tribal commune and then neighbours' (territorial) commune. In the first stage, man learned to manufacture primitive stone tools and to strike fire. The tribal commune is marked by the natural division of labour by sex and age, and the organisation of a community of people bound by blood relationships. Several clans made up the tribe. In the initial stage of the tribal system, the commune was ruled by the women (matriarchate) who gathered wild fruit, cooked the food, and engaged in primitive forms of crop growing and stock-raising. As the productive forces expanded further, stockbreeding (shepherding) and more developed land cultivation became increasingly important, and the dominant position was assumed by men (patriarchate). The further development of cattle raising, crop growing and then the crafts led to the *social di-*

vision of labour and to exchange. In these conditions, growing *labour productivity* and the appearance of a *surplus product* resulted in the industrialisation of production. Individual family economies came into their own and the neighbours' (territorial) commune emerged. The industrial labour of individual farms gave rise to private ownership of the means of production in the tribal commune. The emergence and development of private property created property inequality and ultimately *exploitation of man by man*. It became profitable to turn prisoners of war into slaves in order to obtain a surplus product. As slave-owning relations evolved, the primitive commune completely disintegrated. *Classes* appear and, along with them, the state. The primitive communal mode of production was replaced by the *slave-owning mode of production* or *feudal mode of production*, depending on the specific historical conditions.

Private Labour, the labour of isolated, outwardly independent commodity producers. Private ownership of the *means of production* is the foundation of private labour. It separates people, making the labour of an individual commodity producer his private affair. However, the social division of labour and the exchange of the products of labour between private producers reveal the inner links between outwardly independent private producers, exposing the social character of their private labour. The labour of every commodity producer is both private and social. So, in *commodity production*, labour is not directly socialised on the surface, but socialised in a concealed way. The social character of labour is revealed only in the process of the purchase and sale of *commodities*. In the process of exchange, the producer learns whether his commodity is in demand and what its *value* is. If the product created by private labour is not sold as a commodity because there is no demand for this *use value* or because it is overly expensive, it means that society does not recognise the private labour of the commodity producer. The contradiction between

private and social labour is the principal contradiction of simple commodity production, and its moving force. Under capitalism, the contradiction between private and social labour deepens, and that between the social character of production and the private capitalist form of appropriating the results of labour becomes the main contradiction (see *Basic Contradiction of Capitalism*).

Private Property, see *Property*.

Product, Intermediate, part of the *aggregate social product* utilised during the year to redeem the material resources (raw and other materials, fuel, energy, purchased semi-finished products) used in its production. The rest of the social product is the *final social product*. In each industry, the intermediate product includes articles intended for productive consumption inside a given industry, unlike the end products supplied to other industries, to the retail network, etc. The share of the intermediate product in the total social product grows on the basis of the development of the *social division of labour* and deepening *specialisation of production*, and the *economic law of the priority growth of the production of means of production*. In the USSR in individual economic sectors its share varies considerably: the higher the level of production specialisation and cooperation, the greater its proportion. It is highest in heavy industry — 50 per cent; in the light and food industries and in agriculture it is 20 per cent, and in construction the entire marketable product is final. In each economic link — ministry or *industrial association* — the volume and structure of the intermediate product must be consonant with the task of maximising the final social product and reducing production costs.

Production, the process whereby the material benefits necessary for the existence and development of society are created. Material production is the foundation of the life of human society. It creates material wealth indispensable for people's life and ultimately conditions the social structure

of society, its ideas and institutions, as well as its development from a lower stage to a higher. Production implies the following factors: 1) labour as purposeful activity; 2) the object of labour, and 3) the means of labour (see *Means of Production; Implements of Labour*). Labour always assumes certain definite social forms, expressing the process of man's interaction with nature. As they interact with nature, people enter into social relationships with one another irrespective of their will and consciousness. Correspondingly, social production has two aspects: the *productive forces*, which express society's relation to the natural forces and objects by mastering which people obtain material benefits, and *relations of production*, which characterise people's relationships to one another in the process of production. Production, considered as the unity of the productive forces and production relations, constitutes the *mode of production* of material wealth. Production determines the mode and social features of distribution, exchange and consumption. These three, in turn, produce a certain impact on production. Production develops in accordance with objective *economic laws*, whose principal and determining element is the basic economic law of the given mode of production. Capitalist production, based on the private ownership of the means of production and on exploitation of labour by capital, develops in accordance with spontaneous economic laws. It is subordinated to the aim of the extraction of profit by the exploiters, and is periodically interrupted by the *economic crises of overproduction*. In socialist society production develops continuously, according to plan and at high growth rates, and is oriented towards meeting the constantly growing requirements of society and all of its members.

Production Assets, material and financial resources furnished by society to socialist enterprises to ensure the balanced functioning of the process of production and circulation. They are based on the *means of production*, in particular *implements of labour* that are conspicuous for their active role. In the period of the *scientific and*

technological revolution, an important direction of changes in the implements of labour is the *automation of production*. The material means of enterprises take two forms: in kind and in value. Production assets under socialism are public property, and are used to manufacture items that society requires. Under capitalism, they take the form of capital, an instrument of exploitation. The assets of state and cooperative and collective-farm enterprises are alike in economic nature, and differ only in the degree of socialisation and origins (see *Fixed Production Assets; Circulating Assets*).

Production Association, primary structural unit of the economy that ensures the level of *concentration of production* and centralisation of the necessary material and financial resources in conformity with the modern stage in *scientific and technical progress*. It is a single, organisationally shaped production and economic complex which performs a multitude of functions in the manufacture and sale of products. The production association comprises factories, plants, R&D, project-and-design, technological and other units. It is a progressive and effective organisational form which makes possible the fullest concentration of material, human and financial resources in fulfilling plan assignments, and creates optimum conditions for the people's broad participation in improving the *efficiency of social production* and raising the *quality of work*. The association enables the full utilisation of the achievements of the *scientific and technological revolution* and expanded socialist reproduction (see *Reproduction, Socialist*) through the technical re-equipment of enterprises and the growing efficiency of social production as a whole. Production associations are formed either as vertical complexes integrating the consecutive technological stages of the production cycle, or through the concentration of production of similar products. In the coming years, production associations will become the primary cost-accounting unit of industry, and *direct long-term economic ties* will become the main form of relations be-

tween suppliers and consumers in the Soviet Union. Growing importance will be given to science-and-production associations ensuring the effective application of scientific results in production and the reduction of the period during which new products are introduced into production on a mass scale. These associations unite the following links: science — technology — sample production — introduction — mass production — consumption. The all-Union (republican) *industrial associations* are production and economic complexes comprising large production associations and combines, enterprises and organisations possessing full cost-accounting independence. These associations are important because they accelerate scientific and technical progress by concentrating resources, specialising production and combining the sectoral and territorial principles of management. Agro-industrial associations that emerged through deepening the *social division of labour* and integrating agriculture and industry are now widely developed in the USSR (see *Agro-Industrial Complex; Integration, Agro-Industrial, under Socialism*). Subsequently the association will include enterprises irrespective of departmental subordination, in accordance with their territorial affinity, similar purposes of the articles produced, and technological interchangeability. Associations of this kind are an important lever in making social production more effective.

Production Costs, Capitalist, outlays of capital in the production of a *commodity*. Part of the capital (constant capital) is used to buy the means of production (c), and another part (variable capital) to buy labour power (v). The sum of the constant and variable capital ($c+v$) forms capitalist production costs, i. e. what the capitalist pays for the commodity. The actual value of a commodity is determined by all the labour outlays in its production: ($c+v+m$). Quantitatively, capitalist production costs differ from the value of a commodity by the amount of surplus value (m) which costs the capitalist nothing. He does not pay for all the value created by the worker ($v+m$), but only for part

of it — that part equal to the price of labour power employed (v). Capitalist production costs express the fact that the capitalist does not expend his personal labour on the production of commodities, but expends capital. Compensation for production costs is the necessary condition for the continuation of the capitalist's economic activity, and is necessary for determining its results. The profitability or otherwise of production depends on the difference between the capitalist's gain from the sales of his goods and what his costs are. When the commodity's selling price is below or equal to the production cost, the production of the given commodity will lose all sense for the capitalist. When the price of the commodity is higher than the production cost, the capitalist makes a *profit*. An analysis of the mechanism whereby production costs are formed and compensated for helps reveal and enables one to understand the laws of competitive struggle. Production costs fetishise and disguise capitalist relations of production, the exploitation of wage workers by the capitalists. Labour outlays take the form of capital outlays in them, hence the illusion that capital produces value. The actual source of value, particularly surplus value, i. e. the *living labour* of wage workers is thus concealed. The difference between expenses on the means of production and labour power vanishes. For the capitalist, his expenditures to purchase means of production and to hire labour power are only parts of the capital he advances to produce a commodity; they are included in production costs, and must be compensated from the realised value of the commodity. In fact, however, the means of production have an entirely different role from labour power in the formation of the value of the product. Only labour power produces value and surplus value.

Production, Incomplete, products at the intermediate stages of the production process and not included in commodity output. The volume of incomplete production in money terms is made up of the value of expended raw and other materials, fuel, energy, depreciation deductions, as well as

wages paid at this stage of the production process. Incomplete production is included in the circulating assets of enterprises. Its proportion depends on the duration of the production cycle: in engineering, for instance, it amounts to 25-40 per cent of circulating assets, and in the textile and food industries, to 5-20 per cent. In the mining industries incomplete production is almost totally absent. In Soviet industry as a whole, the proportion of incomplete production and semi-finished goods made at the enterprises in commodity and other material resources was 21.5 per cent and in agriculture 15.7 per cent in 1978. The amount of incomplete production in the socialist economy is rated in order to reduce the volume of resources at the intermediate stages of production and to increase the efficiency and achieve high *final results of production activity*.

Production Sphere, the totality of economic sectors unifying material production and material services; branches and types of activity creating material wealth in the form of physical products and transformed energy of nature or providing material services that are an extension of the process of production. The result of the practical activities of people engaged in the production sphere is that the physical or chemical properties of natural substances and the forces of nature, their condition and location are changed in order to adapt the manufactured products to the social requirements. Furthermore, labour expended in material production creates products directly, whereas workers' activity in the material services helps use the created products to satisfy social requirements. Material production includes industry, construction, agriculture, forestry and the water economy, and the material services include freight haulage, production communications, trade in that part of it which is an extension of production, public catering, material and technical supply and sales, the manufacture and repair of household appliances, etc. Marxism-Leninism states that the decisive role in human activity is played by the production sphere as the natural and eternal condition of human life. The

labour of production sphere workers satisfies the basic material requirements of society, and creates the *aggregate social product* and *national income*, i.e., the material basis of all types of activity embraced in the *non-production sphere*. The development of the non-production sphere depends on the dynamic and balanced development of branches of the production sphere and the greater *efficiency of social production*, as well as on accelerated *scientific and technical progress*, the growing productivity of social labour, and the higher overall *quality of work* throughout the economy.

Productive and Non-Productive Labour under Socialism, two forms of planned and socially useful work in socialist society differing in their concrete results. Productive labour produces material wealth, the *aggregate social product* and *national income* on the scale of society as a whole. This is the labour of workers in the *production sphere*. Productive labour creates both the necessary and *surplus product*. Non-productive labour results in the creation of non-material benefits which satisfy the social requirements of health protection, education and culture, and the organisation of the management of social affairs. Productive labour is the source of maintaining those people engaged in non-productive work. But this does not mean that non-productive work can be regarded as secondary in importance. It creates the conditions for increasing the scale of productive labour and helps augment the *efficiency of social production*. It is highly instrumental in ensuring the all-round development of society members. Under socialism, all types of labour activity, meeting both the material and spiritual requirements of society, are necessary and socially useful. Productive and non-productive labour under socialism differs in principle from the corresponding categories under capitalism. Capitalism subordinates social production to the extraction of *surplus value*, and for this reason any labour that serves to obtain surplus value appears as productive labour, regardless of the sphere in which its results are embodied. Under socialism, the divi-

sion of labour into productive and non-productive is determined by the objective of the *communist mode of production*, i. e., the increasingly fuller satisfaction of society's material and spiritual requirements. It plays an important role in determining the best possible ratio between the requirements of society for various benefits and sources that satisfy them. These sources are associated principally with the division of social production into material and non-material. It should also be noted at the same time that there is no complete identity between the corresponding sphere of social production and form of labour. Productive labour can also be said to exist to some extent in the *non-production sphere* (manufacturing of the machines and instruments in scientific institutions and medical equipment in public health establishments), and non-productive labour in material production (accounting personnel, public and everyday services provided to the people working at enterprises and associations, etc.). Under *developed socialism*, productive labour plays a growing role as the source of public wealth that ensures the well-being and all-round development of all members of society. The *non-production sphere* is also expanding, as conditions are being created for the fuller satisfaction of the people's cultural requirements, and as the number of workers engaged in public health, education, the services, etc. grows. At the same time there is an objective need for expanding the sphere of non-material production. The more fully material requirements are met, the broader and more varied the non-material and especially cultural requirements become. The proportion of workers in non-material production is growing. Here, as well as in material production, improving the quality of work alongside the increase in the number of those employed is of great importance.

Productive Capital, a form of functioning of *industrial capital* evolved as a result of the transition of *capital* from the money to the productive form. Productive capital is the second stage of the circuit of industrial capital. The *means of production*

and *labour power* purchased by the capitalist form the material and personal components of the capital operating in the sphere of production. The means of production and labour power must be combined to ensure the process of labour. Under capitalism it is done through regular purchases of labour power and the means of production by the capitalist. Production stops when these two factors are not combined, as happens during economic crises. Unlike money and commodity capital, productive capital has two features: first, it operates only in the sphere of material production, and second and most important, it creates *surplus value*. This determines the decisive importance of the productive form of capital during its circuit. Of the two components the only source of surplus value is labour power, which is purchased by *variable capital*. To disguise the essence of capitalist exploitation, bourgeois economists have come up with the false theory of capital productivity. According to this "theory", the capitalists' income is created by capital rather than wage labour, and the concept of capital is reduced merely to the elements of constant capital, i. e., the means of production — *past labour*. However, Marx's theory of surplus value has shown irrefutably that surplus value is created in the process of capitalist production through the labour that workers expend.

Productive Forces, means of production and people who have the knowledge, production experience and labour skills, and who set the means of production in motion. Lenin wrote: "The primary productive force of human society as a whole is the workers, the working people" (V. I. Lenin, *Collected Works*, Vol. 29, p. 364). Knowledge, production experience and skills are major indicators of the development of the productive forces, which are the key factor of social production and express man's position with respect to objects and natural forces. As Lenin pointed out, "the development of human society is conditioned by the development of material forces, the productive forces" (V. I. Lenin, *Collected Works*, Vol. 2, p. 21). Improved means of production, the development of natural re-

sources and knowledge of the laws governing the development of nature and society are the determining factors ensuring the uninterrupted growth of the productive forces. The productive forces always function in a certain socio-economic form, within the framework of the *relations of production* of a particular type. The latter characterise the manner in which the worker is linked to the means of production, and a historically distinct form of appropriating the benefits of production. Relations of production improve and change as they interact with the productive forces, and at a certain stage of development cease to correspond to the character and development level of the productive forces (see *Law of Correspondence of Relations of Production to the Nature and Level of Development of the Productive Forces*). In antagonistic socio-economic formations, this contradiction is expressed in the heightening of class struggle and the conversion of production relations into a brake on social progress. A way out of this conflict is social revolution, which abolishes the old production relations and establishes progressive new ones. In the epoch of the transition from capitalism to socialism, the contradiction between highly developed productive forces and capitalist production relations poses before the people the imperative task of smashing the moribund capitalist shell, liberating the powerful productive forces that have been created by man and of using them to benefit society in its entirety. In socialist society, the contradictions between the productive forces and production relations are non-antagonistic in character, and are resolved through the workers' planned production activities, aimed at the fullest possible satisfaction of the *economic (material) interests* of society, work collectives (see *Collective, Work, Production*) and their members. In mature socialist society the level of the development attained by the productive forces is substantially higher than that of the period when the creation of the foundations of socialism was completed. Under developed socialism, the Soviet economy is based on highly developed productive forces, powerful modern industry,

and large-scale, highly mechanised agriculture founded on cooperative principles. Today, accelerated development of the productive forces in the USSR is one of the principal tasks facing the state of the whole people. This ensures considerable increase in the production of material and spiritual benefits, and that the creative potential of each worker will develop to the fullest, that every worker will be in the communist mould.

Profit, Capitalist, a converted form of *surplus value* which appears as the excess of returns over expenditures of *capital* and is appropriated by the capitalist without remuneration. The latter advances his capital not only to purchase *labour power*, but also to acquire the *means of production* which are indispensable for the production process and the creation of surplus value. Therefore, "in its assumed capacity of offspring of the aggregate advanced capital, surplus-value takes the converted form of *profit*" (Karl Marx, *Capital*, Vol. III, p. 36). In fact, profit is derived, not from all the capital, but only from that part of it expended on labour power — *variable capital*. The form of profit disguises its real origins, the exploitation of *live labour* by capital. The conversion of surplus value into profit is explained by the fact that surplus value is really manifested only during the sale of commodities as a difference between its price and capitalist production costs (see *Production Costs, Capitalist*), i. e., in the form of the profit which, after the completion of each *turnover of capital* accrues to its owner. The capitalists' pursuit of maximum profit is the determining objective and principal motive of capitalist production. In the epoch of free competition entrepreneurs contented themselves with average (general) profits. Under imperialism the monopolies set *monopoly prices*, intensify the exploitation of the working people of their own countries and the peoples of other countries, especially the economically underdeveloped countries, enrich themselves through arms supplies, appropriate part of profit of non-monopolised enterprises, and as a result obtain *monopoly superprofits*.

Profit of Socialist Enterprises, form of net income of socialist society. Another form of socialist society's net income is *turnover tax*. It is produced by *surplus labour* and partially by *necessary labour*. In quantitative terms, it is the difference between the *wholesale price* (minus turnover tax) of the products sold and their prime cost. In economic content it is radically different from profit in capitalist production: it is the result of the producers' labour freed from exploitation and is employed in the interest of society as a whole. It plays a major role in cost-accounting relations, for it characterises the effect of the enterprise's cost-accounting activity in cash form, and stimulates the fulfilment of the production and sales plan with the lowest expenditure of labour and material resources. It also fulfils the function of distributing surplus product. The profit's movement reflects many aspects of the economic activity of a socialist enterprise, such as the degree to which production assets are used, the technological level, organisation of production and labour, etc. The amount of profit expresses the results of lowest prime costs, the increased volume of products sold, and their higher quality. The total profit is included in the plan indices approved centrally for the production association (enterprise) concerned. A new pattern of distributing profits has been introduced in the Soviet Union to make the production associations (enterprises), and all-Union (Republican) industrial associations and ministries more responsible for the results of their financial and economic activities and increase their interest in the most effective utilisation of material and financial resources. According to this pattern, approved five-year plan assignments serve as the basis for determining, for each year, normative deductions from profit to be placed at the disposal of the ministry or association (enterprise). This part of profit goes to finance capital investments, to repay bank credits and the interest on them, to ensure an increase in the *circulating assets*, to form the *united science and technology development fund*, to compensate other plan expenditures and to build the *economic incentives fund*. In accordance

with these normatives, five-year plan assignments establish the absolute amount (in roubles) of profit deductions to the USSR state budget, calculated by the year. When the approved profit plan has not been fulfilled in a certain year, budgetary payments earmarked in the five-year plan for that particular year are made in full at the expense of the corresponding decrease in the profit remaining at the disposal of the ministry or association (enterprise) concerned. The excess over the planned profit is distributed along the same channels, albeit in somewhat different sequence and ratio. As social production expands, the quantity of products grows, and the enterprises' economic activity improves, the profit remaining at the disposal of associations (enterprises) constantly increases, and so does the mass of profit added to the state budget. This creates favourable conditions for the growth of social production and for providing greater material stimuli for work collectives and individual workers for better results of their work.

Profitability, an index of the efficiency of basic self-supporting elements of socialist social production. The economic nature of profitability is dictated by the prevailing type of *relations of production*. Under capitalism the profit (see *Profit, Capitalist*) is the motivating force and objective of production. Under socialism profit cannot be the objective of production; profit (see *Profit of Socialist Enterprises*) is an important source of expanding production, satisfying the growing needs of the members of society, and forming reserves and contingent funds. Profitability is the ratio of profit to the cost of production and sales of the product, and the ratio of the profit to the cost of *fixed production assets* and standardised *circulating assets*. The former index characterises the effectiveness of utilising production assets. In determining the profitability of an enterprise, the index of overall profitability is used, i. e., the ratio of the balance profit (i. e., profit from sales of the product and services to customers) to the average annual cost of the fixed production assets and standardised circulating assets and the

index of rated profitability which is the ratio of rated profit (i. e., balance profit minus *payment for production assets*, fixed payments to the budget, and interest on bank credit) to the cost of fixed assets and standardised circulating assets. In addition, the profitability of each product is calculated by enterprises. In manufacturing industries it is the ratio of profit to cost price minus the cost of the raw and other materials, fuel, energy, semi-finished products, and accessories. The profitability level plays a role in the formation of the material incentives funds (see *Economic Incentives Funds*). Profitability is increased primarily through increasing profits and cutting current costs and the cost of fixed production assets and standardised circulating assets. It is a major lever in the centralised management of the economy. However, its utilisation is subordinate to the planned and balanced development of the economy and is geared to the best possible satisfaction of society's needs. Therefore, it plays an auxiliary role in the regulation of socialist production.

Programme-Target Method. method of dovetailing the goals of the social and economic development plan with a complex of economic, social, scientific, technological and production measures, and with economic resources ensuring that they will be implemented. The development and utilisation of the method is dependent on the deepening *social division of labour* and increased cooperation between various production links of the *national economic complex* which contribute to attaining the aims of socialist society. This method makes it possible to combine, in a planned way, the efforts of various participants in social production and direct them toward concrete objectives. It is expressed in drawing up of special programmes used in management practice. The programme-target method is the product of planned management of the socialist economy. It was first used in the USSR in drafting the State Plan for the Electrification of Russia (GOELRO) which was, in Lenin's words, the Party's second programme. Recently it has been more widely used in the system of planned econ-

omic management under developed socialism. Improved planning and the greater impact of the economic mechanism on the effectiveness of social production and the quality of work implies the increasing use of this method in planning, and determining the major state programmes for various aspects of the development of socialist society. Each concrete programme includes the following: precise determination of the target characterised by the respective results of programme fulfilment; a complex of measures and variants of their implementation in the time periods and volume of required resources (associated measures may be organised as independent subprogrammes); evaluation of economic effectiveness and the socio-economic consequences of the fulfilment of each variant from the viewpoint of achieving the programme's general objective; manner of realising the programme, which regulates the implementation of measures concerned with each of them and the programme as a whole; and the schedule for the work complex as a whole. Programmes may be used in the various areas of socialist society for attaining specific scientific, technological, socio-economic, organisational-economic, defence, ecological and other targets. Depending on the degree to which the single economic complex has been encompassed, we can single out the following: countrywide programmes elaborated to reach the most important objectives of socialist society (greater socialist economic integration, higher living standards for the people, comprehensive programme for scientific and technical progress); inter-sectoral programmes aimed at achieving the important objectives of social development. Measures to carry out these programmes concern several sectors of the Soviet economy (development of the fuel and energy and agro-industrial complexes, transport, in particular building of the Baikal-Amur Railway); functional programmes designed to promote overall social development. Programmes of this kind concern the mechanisation of manual labour, economising fuel and energy resources, and certain avenues of scientific and technical progress. There are also

regional programmes aimed at developing the productive forces of individual economic regions (the Non-Black-Earth Zone, Siberia, etc.); and local programmes involving the specific activities of individual economic branches, production associations and regional bodies. Implementation of the programme-target method at the modern stage of building communism in the Soviet Union is based on the extensive use of the *económico-matematical methods* and computer technology. Planning and economic bodies and research institutions prepare methodological material on how to elaborate programmes, which are an organic part of the general methodology of state planning.

Proletariat, see Classes, Social.

Promotional Profit, the profit appropriated by the promoters of a joint-stock company. It is the difference between the sum total of the prices of the shares (see *Stock [Share]*) issued by the promoters and the sum of the *capital* actually invested by them in the company. It is a product of the difference between the nominal and the market price of the shares. The latter price usually exceeds the nominal price at which the promoter originally issued the share. Even if the share is sold at its nominal price the promoters make a *profit* by "watering" the capital, i. e., issuing shares for a total far in excess of the really invested capital. In this case, the source of the promotional profit is part of the *money capital* of the ordinary stockholders. Another technique of acquiring this kind of profit is keeping part of the original shares in the hands of the promoters until their market price increases. The promoters of the largest joint-stock companies are representatives of the top monopoly bourgeoisie. Therefore appropriation of promotional profit has become a major way for the *financial oligarchy* to enrich itself. Lenin noted that "it is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production" (V. I. Lenin, *Collected Works*, Vol. 22, p. 238). This process, which underlies the growth of promotional profit, has attained a tremendous scale under modern

imperialism. As a result, promotional profit has become a major tool of redistributing *surplus value* to benefit the monopolies and ensuring *monopoly superprofit*.

Property of the Whole People, see State Socialist Property (Belonging to All the People).

Proportionality, Optimal Economic, the optimal correspondence between the structure of social production and the objectives involved in building communism at a given stage in the development of socialist society. It provides the best solution to the problems of socio-economic development, raises the *efficiency of social production* to the highest possible extent and contributes to satisfaction of the people's requirements with the least expenditures of living and materialised labour. One criterion of optimal economic proportions in developed socialist society is their correspondence to the supreme goal of social production. The criterion of optimal production in industries, associations and enterprises is usually the maximum volume of quality products with the minimum expenditure. The time factor is also considered when proportions are being optimised: the best are correlations which help fulfil the tasks set with minimum outlays and in the shortest time possible. Proportions are optimised through a corresponding distribution of human, material and financial resources on the basis of numerous computer calculations, the comparison of all possible variants, and the selection of one regarded as best. The optimal variant maximally harmonises with the established criterion, i. e., it helps attain the highest possible end results in the plan period with the planned material and manpower resources, or planned final results (e. g., a certain volume of production) with the minimum expenditure of labour and resources. An important condition optimising economic proportions is the material and financial reserves necessary for a proportionate and balanced development. In accordance with the Resolution of the CC CPSU and the USSR Council of Ministers of July 12, 1979, "On Improving

Planning and Enhancing the Economic Mechanism's Impact on Raising Production Efficiency and Quality of Work", the Soviet state five-year economic and social development plan will provide, according to established standards, for material and financial reserves for the requirements of production, capital construction and R & D and, whenever necessary, reserve capacities as well. Reserves, whose size and content are optimal, are necessary to make effective structural changes in the economy, and to prevent partial imbalances which may arise from discrepancies of rates in the development of certain branches, from discrepancies between the structure of requirements and structure of production, etc. Proportions must be optimal not only in material production, but also in the sectors of the *non-production sphere*, as well as in the consumption structure (e. g., correlation between the consumption of different products, correlation between outlays for different purposes, such as food, clothing, cultural pursuits, rest and leisure, recreational travel, etc.) Under capitalism, economic proportions cannot be optimised. Intra-company and intra-production proportions are also periodically overturned because of the disproportional development of social production as a whole. In developed socialist society broad opportunities are provided to seize upon the advantages of the socialist economic system, to raise production efficiency and to optimise national economic proportions (see *Law of Planned Balanced Development of the Economy; Economic Planning*).

Proportions of Social Production, correlation between the components, parts and subdivisions of production, industries and regions which evolves under the influence of the objective *economic laws*, the rate and trends of the *scientific and technical progress* and socio-economic conditions of development. Under capitalism, a sort of proportionality in the development of production emerges spontaneously, is constantly being upset and is restored only for a short time through squandering part of *national wealth* during crises and recessions, with their higher *unemployment*

and falling *living standards*. Under socialism the proportionality necessary to effectively develop the economy is maintained consciously and continuously by the purposeful activity of the state. Proportions are formed and improved through consideration of the directions of scientific and technical progress, changes in social requirements and other factors, and through the planned distribution of material and labour resources and capital investment among the industries, sectors and regions of a country. To make progressive changes in the economic proportions, it is important to correctly determine priorities in the development of industries and economic regions. The necessary economic proportions are established by working out a system of balances: material (natural) balances of the production and distribution of key products, the fixed assets balance, *balance of labour resources*, *balance of the national economy*, *balance (inter-branch) of the production and distribution of the social product*, and others. In accordance with the Resolution of the CC CPSU and the USSR Council of Ministers of July 12, 1979, "On Improving Planning and Enhancing the Economic Mechanism's Impact on Raising Production Efficiency and Quality of Work", balances of material and manpower resources and of production capacities, the financial balance and the balance of the people's cash incomes and expenditures are now worked out in the Soviet Union on an annual basis within the state five-year economic and social development plan. The formation of material and financial reserves according to the statutory norms, and whenever necessary production capacity reserves as well, will promote maintenance of the planned proportionality. Depending on the content of phenomena and processes, whose links are reflected in the economic proportions, the latter are divided into general economic, inter-sectoral, intra-sectoral, intra-production and territorial. The general economic proportions characterise the correlation of the components, subdivisions and aspects of social production as a whole (e. g., the correlation between the production of means of production and production of con-

sumer goods, or between consumption and accumulation). Inter-sectoral proportions reflect the ratio between branches or groups of branches, e. g., industry and agriculture, the power industry and power-consuming industries, etc. Intra-sectoral proportions delineate the correlations between sub-branches and different kinds of production (e. g., between production of pig iron and steel, clinker and cement, yarn and fabrics). Intra-production proportions are determined by the links between the principal and auxiliary shops, etc. Territorial proportions reflect the location of the productive forces throughout the country, the ratio of the republics and economic regions in producing the aggregate social product and the national income, and in distributing the production resources. Today, the territorial proportions in the USSR are being improved primarily through giving Siberia and the Far East a greater role in the economy, especially in the production of oil, gas and coal, electricity and other key items, and through forming and developing extensive *territorial-production complexes* in these regions. Great influence is being exerted on this process by the construction of the Baikal-Amur Railway and the industrial development of adjacent regions. There are physical-material and value proportions as well as proportions in allocating manpower resources. Physical-material proportions characterise the correlations in the development of industries manufacturing products in kind. Value proportions reflect the established economic ratios through collating respective indices expressed in money. Proportions in allocating manpower resources characterise the ratios between the number of employed in the production and non-production spheres of the economy, in the extracting and manufacturing industries, in industry, agriculture, construction and other sectors, and in the republics and economic regions. Changes in manpower allocation proportions are determined by the shifts in the development and location of social production, demographic and other factors. The stage of *developed socialism* is marked by the improvement of proportions in conformity with the task

of accelerating the growth of the people's well-being and increasing the *efficiency of social production*. This means increasing the share of industries which are pace-setters in science and technology, raising the development rate in agriculture, and changing its branch structure through the specialisation and concentration of production, inter-farm cooperation and agro-industrial integration, and evening out the growth rate of the A and B groups in industry, highlighting the importance of industries directly satisfying people's needs, etc.

Protectionism, economic policy pursued by a government to develop the economy through shielding it from foreign competition. It is pursued in the interests of the national bourgeoisie, via high customs duties on imported goods, limiting or prohibiting the import of certain items, subsidising national industry, etc. Protectionism was a method of the *primitive accumulation of capital*, promoted the growth of capitalist industry and the development of capitalism, and intensified the *concentration of production* in the hands of the big bourgeoisie. Under *imperialism*, which heightens contradictions between capitalist countries and greatly sharpens the struggle for foreign markets, protectionist policies become markedly aggressive in character and serve the interests of monopoly capital. The objective of imperialist protectionism is to monopolise the domestic market under the state's patronage and to seize foreign markets to derive high monopoly profits, rather than to promote the development of national industry or agriculture, as was the aim of protectionism in the early period. The imperialist state imposes high duties on imported goods, thus restricting the import of foreign goods to its own country, which ensures a high level of *monopoly prices* on the domestic market. In the period of economic internationalisation, the monopolies, especially the multinationals, which have enterprises in different countries of the world, have sought to abandon some forms of protectionism. This led to the repeal of quantitative trade restrictions in the late 1960s and early 1970s and to

a considerable reduction of customs duties, although some countries occasionally increase duties even now. Today protectionism is increasingly shifting towards intensifying *exports*. To increase exports and pursue the battle against competitors on foreign markets, state subsidies and credits for exports, the financing of export industries, *dumping* and other measures are used. The development of imperialist integration determined the appearance of the policy of "collective" imperialist protectionism. This policy is pursued by the countries of the *European Economic Community*, which protect their Common Mar-

ket through customs barriers and restrict the import of many goods, particularly from the USA and Japan. Promoting the growth of monopoly profits, protectionism and the higher prices and taxes associated with it worsen the position of the working people and heighten contradictions both inside capitalist countries and between them and their blocs. Unlike imperialist protectionism, the developing countries' policy of protecting their nascent national economies is progressive in character, for it is aimed at strengthening their economic independence and defending them from the competition of imperialist monopolies.

Q

Quality of Output, aggregate of the qualities of a product enabling it to meet specific production and personal needs in accordance with its function. As the *productive forces* develop, people tend to better appreciate the quality of things and to obtain better insights as to their utility. At the same time, quality is increasing, since higher-quality output usually corresponds to a higher level of production. In political economy, the "quality of output" category is inseparable from the category of social *use value*. Both use value and the quality of output are the results of concrete labour. They are created in the course of production, and are realised in consumption where their useful properties are assessed. "Since the goods are bought," Marx wrote, "by the customer not because they have a value, but because they are 'use value' and may be used for various purposes, therefore it is self-evident 1) that use values are 'assessed', i. e., their *quality* is tested (in much the same way as their *quantity* is measured, weighed, etc.); 2) that if various goods may be substituted for each other for the same end purposes, preference is given to one or another kind, etc., etc." (Marx/Engels, *Werke*, Vol. 19, p. 372). Under the socialist system raising the quality of output has become a key issue of economic development. It is essential for all aspects of the working people's economic activities. Greater *efficiency of social production* depends on a host of factors, among which raising quality is crucial. This has a considerable impact on the balanced and proportional development of the economy, and on the realisation of products between Departments I and II of social production and within them. The size of the compensation fund of the *aggregate social product* and, consequently, the rates and the absolute magnitude of the increase in the *national income* are directly dependent on the quality of the means of production, especially the implements of labour. The quality of

output directly affects the rational utilisation of the *accumulation fund*, the more rapid turnover of *circulating assets*, and the reduction of *circulation costs* and consumption, etc. If the quality of machinery, especially indicators like reliability, wear, productivity, etc. fall, then in order to meet its demands, society has to allocate additional resources, increase productive accumulation, and is compelled to expand the output. On the contrary, the economically substantiated increase in the useful properties of machines and equipment, although often entailing the allocation of additional funds, turns out to be more feasible from the point of view of economic interests than to simply increase the output of items of previous quality. The use of better equipment which corresponds, in terms of quality, to the best machinery available in the world, makes it possible to meet society's needs more fully and with less expenditures, i. e., to obtain an economic benefit. This benefit is directly dependent on the quality of each unit produced and on the scale of its production. Meeting of society's growing needs not only through expanding the volume of use values, but primarily through better quality of these use values, corresponds to intensive production development and is a typical feature of the *scientific and technological revolution*. Higher quality of output is an important factor in raising the working people's living standards, of the normal functioning of the domestic market, and of increasing the country's export potential. In the Soviet Union a great deal of attention is paid to raising the quality of output. A series of measures has been planned to orient the *economic mechanism* to a greater degree to raising the quality of output.

Quality of Work, a general characteristic of the individual and collective activities of workers. Under socialism the quality of work reflects the quality of living labour, the level of production organisation and management, the skills of workers and the state of planning, production and technological discipline. An indicator of high quality of work is its correspondence to modern standards and technolog-

ical requirements, to production organisation, to strict rhythm of work, to the precise interaction of related industries, to the rational utilisation of machinery and raw materials and strict adherence to technological rules. Conscious comradely discipline, mutual responsibility and assistance are essential features of quality work. Foremost and conscientious workers are actively interested in the common cause and feel responsibility for the quality of their work and that of their fellow workers. Thus, the quality of work envelops many production and economic factors as well as a broad range of moral issues. Efforts to enhance the quality of work are not limited to the sphere of material production but also embrace the production of cultural values, the services, education of children, etc. Quality of work may be embodied in numerous material forms: quantity and *quality of output* in the sphere of production; the volume and quality of services in the service sphere; the efficiency of research and development in science; the quality of knowledge mastered by students in education. Greater efficiency of social production and the fuller satisfaction of the

requirements of members of society are the overall economic result of improving the quality of work throughout the economy. This problem, at the same time, is of great social significance. Improvements in the qualitative indicators of work help strengthen the socialist attitude to work and to public property and make each worker realise his place within the work collective. At present the activities of each work collective have to be assessed from the viewpoint of improving the quality of output. The key problem of the Soviet economy is the raising of quality of all kinds of work. This concerns the quality of plans, too, for they have to be realistic and well-balanced, as well as the quality of management — from the lowest ranks to the central management bodies. This is also true of tightening labour discipline and improving the quality of output. The socialist state is always attentive to improvements in the quality of work everywhere, that is more efficient social production, accelerated scientific and technical progress, higher labour productivity, better quality of output and the fuller meeting, on this basis, of public and personal needs of the members of society.

R

Rate of Accumulation, the ratio of the accumulation fund and the entire *national income*, expressed in percentage terms. The rate of accumulation in socialist society depends on the volume of the *surplus product*, the character, scope and complexity of the tasks involved in economic and social development and being tackled in the given period. The correct ratio in the national income of the *accumulation fund* and the *consumption fund* provides the foundations for modernising production and raising the material and cultural well-being of the working people. Increasing the rate of accumulation, which, in socialist society, is not an end in itself, ensures an expansion of production, a rise in its technical level on the basis of the broad introduction of the achievements of science and engineering, progressive technology, of advanced methods for organising production and work. At the same time, the dynamic development of social production and rise in its efficiency create the basis for a steady growth of living standards. Today's ratio of the accumulation and consumption funds in the USSR and other socialist countries makes it possible simultaneously to ensure stable high rates of economic development and improve living standards.

Rate of Depreciation, the ratio of the annual sum of depreciation deductions and the mean annual cost of the *fixed production assets*, in percentage terms. In accordance with the specifics of the reproduction of fixed assets, the general rate of depreciation deductions consists of two parts: one determining the size of the deductions for the complete replacement of fixed assets (renovation), the other — their partial replacement (capital repairs

and modernisation). The renovation rate ensures complete replacement of fixed assets when their service life expires. Part of the deductions remains at the disposal of a cost-accounting enterprise and is one source of the formation of the fund for the development of production (see *Economic Incentives Funds*). The rest goes to finance capital construction. The depreciation rate ensuring partial replacement of fixed assets is a source for financing capital repairs. The total annual depreciation rate (D_{ar}) is the ratio, in percentage terms, of the sum of the value of the fixed assets (A_f) and expenditures for capital repairs and modernisation over the entire term of the functioning of the fixed assets (R_{cm}), minus the revenue from liquidating the worn-out means of labour (R_l) as per the value of the fixed assets multiplied by the number of years of the fixed assets' functioning (D_p):

$$D_{ar} = \frac{A_f + R_{cm} - R_l}{A_f \times D_p} \times 100$$

The value of the fixed assets has a direct effect on the size of depreciation deductions. There are two ways of evaluating fixed assets: by their initial value, i. e., the actually operating prices at the moment of purchase and by their replacement value, i. e., by the value of their reproduction under current conditions.

Rate of Profit, the ratio of *surplus value* and the entire advanced capital, in percentage terms. It is designated by P' and expressed by the formula $\frac{m}{c+v}$, where m is the mass of surplus value, c — constant, and v — variable capital. The rate of profit is a transmuted form of the *rate of surplus value*. It camouflages capitalist exploitation, because surplus value is presented in it as being engendered by the entire advanced capital, and not only by its variable part. The rate of surplus value shows the degree of capitalist exploitation, whereas the rate of profit characterises the profitability of a capitalist enterprise and the size of the self-growing

capital. "The rate of profit", wrote Marx, "is the motive power of capitalist production. Things are produced only so long as they can be produced with a profit" (Karl Marx, *Capital*, Vol. III, p. 259). A number of factors affect the rate of profit. It depends primarily on the rate of surplus value: the higher the degree of exploitation, the higher the rate of profit. The dependence of the rate of profit on the *organic composition of capital* is inverse: the lower the organic composition of capital, the higher (other conditions being equal) the rate of profit, and vice versa. This is explained by the reduction in the share of variable capital in the entire advanced capital as its organic composition grows. The rate of profit also depends on the velocity of the *turnover of capital*. Economising on constant capital also increases the rate of profit. In developed capitalist society, the rate of profit levels out under the effect of *inter-industry competition* and the average rate of profit takes shape, i. e., equal profit on equal capital invested in branches with different organic compositions of capital. *Monopoly superprofit* is a specific modern form of capitalist profit. On its basis, the rate of profit of monopolistic enterprises is much higher than that of non-monopolistic ones.

Rate of Surplus Value, the relative volume of *surplus value* or the extent of the increase in *variable capital*. The rate of surplus value is determined by the ratio of surplus value and variable capital (m/v). It is expressed in percentage terms and is designated by m' . The labour input required to reproduce *labour power* determines the value of the labour power and, at the same time, the value of variable capital. In other words, variable capital is reproduced during the *necessary working time* by the worker's *necessary labour*. Surplus value is created in *surplus working time* by the worker's *surplus labour*. Therefore, surplus value is to variable capital as surplus labour is to necessary labour. The ratio of surplus and necessary labour expresses the degree of exploitation of the producer by the owner of the means of

production in any antagonistic society. The ratio of surplus value and variable capital is a specific expression of the degree of exploitation of wage workers by capitalists. The rate of surplus value shows how the newly created value ($v+m$) is distributed between the capitalist and the wage worker, as well as the portion of the working day the worker spends reproducing his energy and the portion he spends on the capitalist. If, during half of his working day, the worker reproduces the value of his labour power and the other half works for the capitalist, the degree of exploitation will be 100 per cent. As capitalism develops, the rate of surplus value increases. This means that the exploitation of the workers increases. Thus, in 1909, the rate of surplus value in the manufacturing industry in the United States was 130 per cent, in 1929—158-188 per cent, in 1953—240 per cent and in 1966—314 per cent. Increasing exploitation of workers is conditioned by an insatiable desire on the part of capitalists to appropriate surplus value, as well as by the competitive struggle between them. Capitalists increase the rate of surplus value in two ways: by producing *absolute surplus value* and *relative surplus value*.

Rated Net Product, an indicator of the volume of output determined according to comparable (stable) standards, reflecting the socio-necessary inputs of living labour to manufacture a unit of output. The newly created value is the economic content of both rated net and *net product*. Rated net product is determined for all items produced by industrial enterprises at the same time as their *wholesale prices* are set. Rated net product is a part of the wholesale price of the goods, including wages, social insurance deductions and profits. Rated net products are usually set for the branch. They reflect mean branch inputs of living labour, which are determined according to the procedure established when wholesale prices are set and on the basis of progressive rates of labour intensity. The use of rated net products in planning and evaluating the work of enterprises and associations is designed to stimul-

ate greater efficiency of production and work quality. While more fully and precisely reflecting the results of the efforts of work collectives, rated net products eliminate their interest in the growth of the material intensity of production and facilitate the objective evaluation of the work of the associations and enterprises. The rated net product indicator does not reflect the economising of material inputs. Per worker, it characterises the productivity of living labour, without taking into account the efficiency of embodied labour.

Rated Planning, the use of scientifically substantiated progressive rates and norms in the planned management of the socialist economic system. At the present stage of economic development in the USSR, when the role of the five-year plan in economic management is growing, in order to stimulate the creative initiative of work collectives (see *Collective, Work, Production*) the planning of a number of indicators in absolute terms is being replaced by the planning and approval of tasks in the form of stable rates over the years of the five-year plan. The plan sets: *wage rates* (instead of the general wage fund); rated *economic incentives funds* (instead of their absolute size); rated distribution of profits (instead of their general volume). Rates as indicators characterise the relationship between inputs and results (a rate of wages outlays per rouble of output, a rate of investment per unit of capacity increment, a rate of input of conventional fuel per unit output of electricity and heat, etc.). Planning makes use of a system of rates and norms embracing all the processes involved in the production and distributing of output. Rated planning is based on a differentiated system of economic and technical rates and norms. To the former belong such rates as those for the distribution of profits between the ministry and the state budget, and for the formation of economic incentives funds. Economic rates and norms are important components of the development of cost-accounting relations, improvement of the system of *economic levers and stimuli*. Technical and economic norms (indicators)

are those characterising the degree (level) of use of fixed assets, material and financial resources and living labour. These norms are coefficients of the use of equipment, production capacities, indicators of the asset-output ratio, capital intensity; material and labour intensity of production, the efficiency coefficient of materials, etc. Under modern conditions, when scientific, technological and economic processes are becoming increasingly dynamic, the role of the five-year plan in economic management is growing and when work collectives are taking a more and more active part in drawing up plans, rated planning makes it possible to realise more fully the principle of *democratic centralism in economic management*.

Rating of Labour, the setting of rates for labour inputs for carrying out specific jobs. In socialist society, the following rates exist: time rates for carrying out a particular job; manufacturing rates envisaging the making of a certain number of articles per unit of time (hour, shift, etc.); service rates (the number of machines, the size of production premises and other units to be serviced); time rates for servicing (the time set for servicing a unit of equipment, work place or other production unit); rates for the number of workers. Under the *capitalist mode of production*, labour rates are a means for intensifying labour and creating sweat wage systems (see *Wages under Capitalism*). Under socialism, rate setting for labour helps in the consistent realisation of the principle *From each according to his ability, to each according to his work*. Labour rates are used when drawing up current and long-term plans, working out the *scientific organisation of labour* and production. They serve as one of the main elements in the organisation of wages. The *wage rate per rouble of output* is set on the basis of technically substantiated labour rates. Labour rating provides a reliable basis for organising *socialist emulation* and summing its results. In the USSR, labour rating has progressed from the application of experimental rates to the use of scientifically substantiated ones that take account of the

organisational, technical, economic, physiological and psychological factors behind work activity. Further, labour rating is being improved in the following main directions: expansion of the elaboration and application of labour rates; a rise in the degree of their scientific substantiation; a considerable increase in the share of technically substantiated rates calculated on the basis of inter-branch and branch rates and norms; a timely revision of the rates and improvement of methodological material required for rate setting. In order to encourage the workers' initiative in introducing technically substantiated labour rates and revising them in due time, payment of lump-sums is envisaged out of the money saved after revision of these rates. The USSR State Committee for Labour and Social Questions is empowered, on agreement with the All-Union Central Council of Trade Unions, to allow ministries and departments to introduce, in the production associations (enterprises) of certain industries, higher (up to 20 per cent) rates when working according to progressive, technically substantiated rates.

Real Incomes of the Population Under Socialism, the amount of material benefits and services that can be purchased by members of socialist society for their incomes in the form of individual remuneration for labour (see *Real Wages*) and of payments and benefits from *social consumption funds*. Real incomes depend on the price level of consumer goods and services, and rent and taxes, as well as on cash income and volume of free services and services at reduced rates. In the USSR the real incomes of the workers and employees consist of wages with all kinds of bonuses, and what is allotted from the social consumption funds for education, health, social security, etc. The real incomes of collective farmers consist of incomes in money and in kind from the collective farm (see *Payment for Work on Collective Farms*) and from personal plots, and the payments and benefits from the social consumption funds. The real incomes of collective farmers are rising faster than those of the workers; as a result, the incomes of these two popu-

lation groups are gradually becoming equal. Highly important was the introduction of guaranteed remuneration on collective farms and a uniform system of pensions and social security. The incomes in less prosperous families are rising faster than those of the rest of the population. The index of real incomes gives the best insight into the living standards of the people. Furthermore, the social achievements of socialist society, such as elimination of *unemployment*, reduction of the working week and *working day*, etc., should not be overlooked. In the USSR, real per capita incomes double approximately every fifteen years.

Real Wages, wages expressed in terms of means of subsistence and services which are accessible to the worker. How great they are shows what quantity of consumer goods and services the working person can buy for his *nominal wages*. The dynamics of real wages is a function of many factors, some of which tend to reduce and some, to increase them. Among the former are higher prices, taxes, rents, transportation costs, etc. Within the latter are higher nominal wages, pensions, benefits, and other cash incomes. Under capitalism, the prices of consumer goods and services, rents and taxes are continuously rising, especially with soaring *inflation*. While nominal wages do increase as a result of the working-class struggle, prices and taxes are usually rising faster. As a result, real wages tend to decline and usually are not able to provide the material and cultural needs of the worker and his family. Bourgeois statistics try to gloss over the real position of the working class and conceal the decline in real wages. For this purpose, in calculating real wages they lower price figures, and overlook the unemployed but include the salaries of highly paid employees, managers, company directors and other "hired" top personnel in the worker's average nominal wages. Under socialism, the real wages of the working people are consistently rising through direct wage increase, lower or annulled taxes, and maintaining stable prices for consumer goods, rent, etc. The

growth of real wages is rooted in the continuous growth of socialist production and total employment. Whenever the state increases the retail prices of certain goods, nominal wages nevertheless rise faster than the price index. Higher real wages under socialism is the main way of increasing real incomes (see *Real Incomes of the Population under Socialism*). This question is high up among the priorities in the economic policies of the communist and workers' parties of all socialist countries. The increase of real wages manifests itself the continuous growth of per capita consumption of basic commodities. An important addition to the wages of the working people in socialist countries, particularly the USSR, are benefits and payments from *social consumption funds*.

Realised Output, the products of a socialist industrial enterprise, which it delivers to the customer (purchaser) or marketing body and are paid for by them. In the USSR the volume of realisable output includes the cost of finished products, semi-finished products, and products of auxiliary shops manufactured and delivered to a customer and used by the enterprise for its own capital construction and non-productive facilities. This index also includes the cost of realisable activities of an industrial nature (performed both to meet factory orders and orders of the non-productive facilities and services of the enterprise), the cost of the capital repair of the transport and other equipment of the enterprise, and the cost of the plant and machinery that are part of the fixed assets of the enterprise. Realisable output also includes those products that remained in the stores and shipped at the beginning and the end of the planned period. The products manufactured from the raw and other materials supplied by the customer and paid for by the manufacturer enterprise are included in the realisable output of the manufacturer enterprise. This output does not include the cost of work-in-process turnover, i. e., the cost of products intended for further processing at the same enterprise; an exception is made for the products of enterprises

and industries where this turnover is included in *commodity production*. Qualitatively the indicator of realisable output significantly differs from that of *gross output* in that it is a better incentive for improving quality, and encourages planning and economic bodies to study the market for better satisfaction of needs. For a production association the volume of realisable output on the whole is defined as the cost of the products manufactured by all production units irrespective of their location and realised by the association (including those sold to the enterprises incorporated in the association) and those which are manufactured and sold by autonomous enterprises incorporated in the association. The planned volume of output to be realised is specified in current wholesale prices determined in the plan (including premia and discounts indicated in price lists) or in equivalent prices used to calculate the amount of commodity products. The targets for the output to be realised are set for associations and enterprises to estimate the extent to which they honour the commitments for delivery of producer and consumer goods in compliance with the range under agreements and factory orders for export.

Reformism, in political economy, a school of vulgar bourgeois and petty-bourgeois economic thought which claims that a series of reforms can eliminate the antagonistic contradictions of capitalism, turn it into manageable economy, into a society where social justice reigns (bourgeois reformism), or ensure, within the framework of the bourgeois social system, that the latter will evolve into socialism (social reformism in the working-class movement). Reformism in bourgeois economics dates back to the time when the deeply rooted antagonisms of the capitalist way of production became obvious, and the bourgeoisie was forced by the working-class movement to compromise and make reforms (such as the introduction of legal limits to the working day) to preserve its rule. The founding father of bourgeois reformism in political economy was John

Stuart Mill, the 19th century British economist. He "tried to harmonise the Political Economy of capital with the claims, no longer to be ignored, of the proletariat" (Karl Marx, *Capital*, Vol. I, p. 25). Reformist trade unionist ideology emerged in the early stages of the working-class movement when it was spontaneous and could not go beyond the struggle to improve the conditions of the working class within the capitalist system. Since the advent of Marxism, the bourgeoisie has employed reformism in the working-class movement to combat the surging revolutionary movement of the proletariat. In unmasking the essence of reformism in the period of imperialism, Lenin revealed the inseparable links between bourgeois and social-democratic reformism. "Reformism versus socialist revolution — is the formula of the modern, 'advanced', educated bourgeoisie" (V. I. Lenin, *Collected Works*, Vol. 17, p. 229). In the era of the *general crisis of capitalism* reformism pervades all basic schools of bourgeois economic thought. This is a result of the extreme intensification of the principal contradiction of capitalist society, the development of *state-monopoly capitalism*, the formation of the *world socialist economic system*, and the sharper struggle by the international working class allied with other working people against monopoly oppression and capitalist exploitation. The bourgeoisie who fear that the class struggle will be transformed into a mass revolutionary movement, have to resort to social manoeuvring on an unprecedented scale, to introduce partial reforms to keep the masses under their ideological and political control. Reformism in economics is a manifestation of the necessity of state intervention in the capitalist economy because, in particular, the market mechanism of automatic regulation has ceased to work. Since the 1930s the theoretical foundation of reformism has been *Keynesianism* and subsequent theories of state-monopoly regulation. The strengthening of reformism today is chiefly attributable to the fact that the building of real socialism in the USSR and other socialist countries and the non-capitalist orientation of many newly-free countries

have forever ended the myth that capitalism is eternal. In this context, non-proletarian socio-economic thought tries to vindicate capitalism by exploring the conceptions of transformation of capitalism (see *Theory of Transformation of Capitalism*), of its "evolutionary transformation" into "neo-capitalism" (theories of organised capitalism, people's capitalism, democratisation of capital, managerial revolution, etc.) and even into non-capitalism (*Theory of Market Socialism*, the theory of consumer society, *Theory of Industrial Society*, theories of post-industrial, technetronic, and post-bourgeois societies, "democratic socialism", "national socialism" etc.). Their advocates reject socialist revolution, socialism, and communism as the historical future of the social development of the world, and instead postulate some "third way" which is in fact the further development of state-monopoly capitalism in the context of the scientific and technological revolution. While bourgeois reformism, which criticises individual vices of capitalist society advocates the rectification, evolution and improvement of capitalism, reformism in the working-class movement puts forward opportunist concepts of capitalism that will peacefully evolve into socialism (see *Opportunism*; *Revisionism*). The admission, essentially declarative, of the need to replace capitalism by socialism is a specific feature of right-wing socialist reformism, which is, in class terms, a petty-bourgeois school of socio-economic thought which is dominant in the socialist and Social-Democratic parties of the Socialist International. This social reformism (labourism in Britain, reformist socialism in France, Austromarxism, etc.) glosses over the conflicts of capitalism and equates the growth of the public sector in the economy of the imperialist countries to growth of social property; presuming that the state is "above classes", it proclaims that state-monopoly regulation of the capitalist economy is socialist or, at least, leads to socialism; it represents state-monopoly capitalism as a "mixed economy" which develops in the direction of democratic and humane socialism. The technological revo-

lution is said to lead, without class struggle or socialist revolution, to the gradual elimination of socio-economic inequality, to a society of "equal opportunity" and universal prosperity. History shows, however, that wherever reformist Social-Democratic parties have been in power, nothing has been done to crack the foundations of capitalism. A left wing is evolving in the reformist social-democratic movement which, in the context of the heightened contradictions of capitalism and under the pressure of revolutionary working class demands, gradually abandons anti-communist approaches inherent in reformism, making conditions ripe for joint action by communists and socialists against monopoly capital, for peace, democracy, and socialism. The revolutionary working-class movement and Marxist-Leninist political economy favour the struggle of the working class for economic reforms aimed at improving its labour conditions under capitalism; but they are against reformist illusions and reconciliation with the bourgeoisie, against opportunism. Communists see reforms as creating better conditions for the struggle of the working people, led by the proletariat, for the revolutionary overthrow of bourgeois power and the building of socialist society.

Relations of Production, social relations among people evolving irrespective of their will and consciousness, i. e., objectively, in the process of the *production, distribution, exchange* and *consumption* of material wealth. They are the social form of production through which people appropriate the objects of nature. In their unity with the *productive forces*, relations of production form a historically defined *mode of production*. The totality of the production relations of a given mode of production are the economic base of society that determines the emergence and functioning of a corresponding superstructure. The mode of production is highlighted by the productive forces whose changes lead to corresponding changes in the relations of production both during the transition from one mode of pro-

duction to another and within each of them. However, relations of production are not passive in relation to the productive forces, but actively promote their development by accelerating or slowing them down. In all pre-socialist socio-economic formations production relations initially stimulated the development of the productive forces, but then, at a certain stage, they became fetters on the latter's growth and were abolished by a social revolution or were replaced by other, more progressive relations of production. It is only with the transition to the *communist mode of production*, in particular to socialism as its first phase, that it becomes possible to maintain the correspondence between the productive forces and relations of production in a conscious, consistent and dynamic way. This does not exclude contradictions between them, but these contradictions are not antagonistic and are resolved in a planned way within the framework of the given mode of production. Marxism-Leninism was the first theory to provide a scientific analysis of production relations and their place in social life. The dialectic of the interaction of the two aspects of the mode of production is revealed in the *law of correspondence of relations of production to the nature and level of development of the productive forces*. Each historically distinct mode of production has its own totality of production relations forming a single, integral system. The essence of a given mode of production and the basis of its economic system is formed by relations of the ownership of the means of production. They characterise the way, specific to a given system in which direct producers are linked to the means of production, and the social form of appropriation of material and spiritual benefits. The relations of ownership of the means of production determine the social structure of a given society and the objective aim of the development of production, as well as the nature of all other production relations. Public ownership of the means of production is the base of the economic system of the communist mode of production. It expresses the direct combination of

associated producers with the social means of production, excludes the exploitation of man by man, and subordinates the development of production to the interest of the well-being and free, all-round development of all members of society. Socialist ownership of the means of production takes the forms of state (belonging to all the people) and collective farm-and-cooperative property, which explains why two friendly classes exist in the social structure of socialist society — the working class and the cooperative (collective-farm) peasantry. In the first phase of communism, the property which trade unions and other social organisations need to implement their statutory objectives is also socialist property. The system of production relations also includes relations of distribution, exchange and consumption. Alongside the relations which are specific to a given mode of production, there are relations which are typical of all socio-economic formations (e.g. division of labour, cooperation) or several modes of production (e.g. commodity-money relations). However, they do not determine the socio-economic nature of a given system, but on the contrary are wholly determined by it. For instance, commodity-money relations under socialism have a new, socialist content. In any society, relations of production are manifested as *economic (material) interests*. These are by their nature objective and dependent on one's position within the system of social production. Consequently, each mode of production has its own, special system of economic interests. Under socialism this system is marked by unity, harmony between the vital interests of society, classes, production collectives and each worker, and the leading role of general economic interests (those of the whole people). Objectivity is the common feature of production relations in all socio-economic formations. At the same time, in pre-communist modes of production they evolve without the producers being aware of the fact, and function spontaneously. The communist mode of production involves a fundamentally different, planned way in which the entire system of production

relations functions. Society is enabled to foresee the results of joint efforts and to manage the development of social production, as well as improve its production relations via knowledge of the objective laws and tendencies. This represents a qualitatively new stage in the people's dominance of both the elements and social relations. The improvement of socialist relations of production and their law-governed evolution into communist relations of production is an objective process of building communism.

Relative Deterioration of the Condition of the Proletariat, deterioration of the condition of the proletariat compared to the enrichment of the bourgeoisie. Like the *absolute deterioration of the condition of the proletariat*, it is a direct consequence of the operation of the *basic economic law of capitalism* and of the *general law of capitalist accumulation*. The declining working class's share in the *national income* and the increase in the *rate of surplus value* as a result of the exploitation of the workers, in the *aggregate social product* and in the *national wealth* are the concrete indicators characterising the relative deterioration of the proletariat's condition. Lenin pointed out that in capitalist society there is "the *relative impoverishment* of the workers, i.e., the diminution of their *share in the national income*.... The workers' *comparative share* in capitalist society, which is fast growing rich, is dwindling because the millionaires are becoming ever richer" (V. I. Lenin, *Collected Works*, Vol. 18, p. 436). Thus, the working class's share of the national income of Britain fell from 42.7 per cent in 1891 to 26 per cent in 1963. In the United States the working class accounted for 39.3 per cent of the national income in 1909 and only 24.4 per cent in 1965. Capitalist apologists using all sorts of falsifying methods try to conceal actual profits of the capitalists and thus reduce on paper their share in the national income. At the same time, when determining the share of the working class in the national income, they do not take into account the taxes workers pay on

their wages. Their wages are taken together with the salary of highly paid civil servants and managerial staff and with incomes of other hired workers. Thus the share of the proletariat in the national income is considerably exaggerated. Bourgeois economists claim that "incomes revolution" has recently taken place in the capitalist countries (see *Theory of Revolution in Incomes*) in other words, the incomes of the workers and capitalists are equalised. However, facts irrefutably prove that under modern capitalism the gap between the living standards of the capitalist class and that of the proletariat becomes wider and wider. The relative deterioration of the position of the proletariat is the most important factor in the aggravation of class contradictions in capitalist society.

Relative Surplus Population, a part of the able-bodied population permanently existing in capitalist society which cannot sell its labour power and is doomed to *unemployment*. This surplus population is relative because labour power is excessive only when compared with the demand for it on the part of capital. Relative surplus population is inevitable and permanent, operating as an economic law of capitalism (see *Law of Population Under Capitalism*), since technical progress, which under capitalism leads to a relative decline in the demand for labour power, is permanent. The constant capital expended on the means of production in connection with technical progress grows more rapidly than the variable capital spent on buying labour power. The increase of the army of unemployed is speeded up by the growing intensification of labour and the increasing use of female labour. With the overall increase in relative surplus population its concrete scope depends on the phases of the capitalist cycle. The frequency and the duration of crises result in a stable increase of relative surplus population. Partial unemployment is also built into modern capitalism, i. e., forced unemployment during a part of the work time connected with the chronic

underloading of production capacities (see *Underloading of Enterprises, Chronic*). Mounting relative surplus population is an important social factor demonstrating the actual lack of rights of workers in capitalist society and steadily undermining its pillars. Relative surplus population exists in three forms: *floating surplus population*, *agrarian (latent) surplus population* and *stagnant surplus population*. Relative surplus population is eliminated with the transition to socialism.

Relative Surplus Value, the surplus value obtained because of the decrease of the *necessary work time* and corresponding increase of *surplus work time*. It is one of the methods of heightening exploitation and increasing *surplus value*. Relative surplus value is created as a result of the introduction into capitalist production of the achievements of science and technology, greater social productivity of labour in industries manufacturing consumer goods and in industries manufacturing means of production for making consumer goods. The increased productivity of labour in these industries lowers the value of the means of subsistence necessary for the restoration of the labour power and, therefore, lowers the value of the labour power itself, thus leading to a reduction of necessary work time. With the length of the working day being invariable, the reduction of the necessary work time increases surplus work time. As a result the exploitation of the workers is stepped up. Relative surplus value may also increase with the reduction of the working day if the necessary work time declines by a greater magnitude than the overall duration of the working day. The contemporary scientific and technological revolution, which makes it possible to greatly raise labour productivity and make the production of consumer goods cheaper by monopoly capital as a powerful means of increasing the production of relative surplus value, heightening exploitation and of increasing profits. *Excess surplus value* is a variety of relative surplus value. The two methods of exploiting

wage labourers — the production of absolute and relative surplus value — are both similar and dissimilar. *Absolute surplus value* is relative because its production is, in the final analysis, linked to a certain level of labour productivity making it possible to limit the necessary work time by a part of the working day. *Relative surplus value* is absolute because its production presupposes the absolute lengthening of the working day beyond the limits of the necessary work time. The unity of the two methods of obtaining surplus value is expressed in the fact that their source lies in exploitation and in raising labour intensity. The differences between absolute and relative surplus value involve the methods, means and conditions of increasing surplus time.

Rent, the income regularly received from capital, land or other property which does not involve any participation in business activity, or the income from state bonds (see *Absolute Rent*; *Differential Rent under Capitalism*; *Differential Rent under Socialism*; *Ground Rent*).

Rentier States, see *Rentiers*.

Rentiers, capitalists living on the income from securities such as *stocks (shares)* and *bonds*, the most parasitic stratum of capitalists who are estranged from production. In Lenin's words, they are "people... whose profession is idleness" (V. I. Lenin, *Collected Works*, Vol. 22, p. 277). As capitalism develops, their number grows because the organisation of production and the management of enterprises are increasingly put into the hands of hired specialists. This is especially the case in the era of *imperialism* when *export of capital* is growing. States which export capital on a large scale and gain huge profits from exploiting the people of the countries to where it is exported also act as rentiers. The robbery of peoples in other countries by rentier states is a manifestation of the increasing decay and parasitism of modern capitalism, and leads to the intensification of its contradictions. Today rentier states are taking advantage

of the economic problems of the developing countries to try and institute new forms and techniques of colonialism (see *Neo-colonialism*) that will perpetuate the dependence and exploitation of the people of these countries. Before World War I, the largest rentier states were Great Britain, France, the USA, and Germany; since World War II, the USA has far outstripped the others.

Replacement Fund, part of the *aggregate social product* which replaces the *means of production* consumed in the process of creating material wealth. The remaining part of the aggregate social product forms the net product. To ensure the continuity of production, part of the aggregate social product has to be constantly converted into elements of new production, i. e. the formation of the replacement fund. This fund includes the means of labour that will replace worn out machines, plant, buildings, structures, etc., as well as the *objects of labour* — raw and basic materials, fuel and power necessary for the renewal of the production process. The replacement fund replenishes the material expenses of production and ensures its renewal and functioning on the former scale. In socialist society the replacement fund is formed in a planned way on the scale of all social production as a single national fund for the reproduction of the means of production. In the context of *scientific and technical progress*, the expended means of production are renewed and the production process is continued on a new technological basis, and the replacement fund usually turns out to be less than the total material expenses. Worn out and obsolete machines and plant are usually replaced by modern machinery ensuring higher *labour productivity*. Objects of labour are also changing radically, particularly with the development of chemistry. Today it is possible to obtain high-quality synthetic materials possessing better properties than the natural materials, and to produce substances with predetermined properties using less labour to make them. Revolutionary changes are taking place in the power industry. As a result of the use

of improved objects of labour and their rational application, fewer objects of labour are needed for replacement. That part of the replacement fund intended to cover the wear and tear of the means of production is formed in accordance with the rates of *depreciation*. The expended objects of labour are replaced from the resources of the *intermediate product*. The formation and use of the replacement fund in socialist society ensure the continuity of the reproduction process in satisfying social requirements and the comprehensive development of all members of society.

Reproduction, continuous repetition and uninterrupted renewal of the social process of production. Every type of social reproduction includes the reproduction of material wealth, or the *aggregate social product*, of *labour power* and the dominant *relations of production*. There are two types of reproduction: simple and expanded. In simple reproduction, the process of production is reproduced every year in the same volume; in expanded reproduction it is reproduced in ever increasing volume. The type of reproduction depends on the dominant relations of production. Capitalism is characterised by expanded reproduction whose objective is maximum profits for the capitalist class; this process is regularly interrupted by economic crises. Socialist expanded reproduction is a planned process of the constant renewal and growth of social production, based on the evolution of public ownership of the means of production and aimed at ensuring well-being and all-round development of all members of society. Expanded reproduction has two forms, extensive and intensive. Extensive reproduction is achieved by employing additional labour and natural resources and using fixed assets and turnover funds while relying on the existing technological base. Intensive reproduction is based on increasing the assets- and power-worker ratios and *labour productivity*, i. e., through the technological updating of production. There are two types of intensive expanded reproduction: the as-

sets-intensive, when labour productivity is raised by increasing the share of production assets per unit of output, and assets-saving, when the growth of labour productivity is accompanied by economising on material expenditures and, consequently, on production assets per unit of output (see *Reproduction, Capitalist; Reproduction, Socialist*).

Reproduction, Capitalist, the process of constantly reproducing material wealth, i. e., the *aggregate social product*, labour power and capitalist *relations of production*. Simple reproduction is a starting point, a part of expanded reproduction (see *Reproduction*). The process of reproduction is expressed in material terms in the reproduction of the aggregate social product and the movement of the aggregate social capital, which includes production, distribution, exchange and consumption. Production and consumption are the ultimate links of this chain and are mutually dependent. "There is no consumption without production, and no production without consumption.... It is only consumption that consummates the process of production, since consumption completes the product as a product by destroying it, by consuming its independent concrete form" (K. Marx, *A Contribution to the Critique of Political Economy*, p. 198). The normal process of reproduction presupposes that output corresponds to the needs of society both in quality and quantity. Under capitalism, however, the proportions of social production are not regulated consciously: all capitalist producers are concerned only with the market. In this situation, realisation of the output becomes an extremely complicated problem. As he discovered the basic proportions of reproduction of the aggregate social product, Marx demonstrated the conditions under which simple and expanded capitalist reproduction occurs. To discover the conditions under which the aggregate social product can be realised, we must know its structure in value and in natural material form. In value, the aggregate social product consists of $c + v + m$ (con-

stant capital + variable capital + surplus value). In its natural material form, it includes the *means of production* and the *articles of consumption*. All social production is correspondingly divided into two departments: Department I — production of the means of production (producer goods), and Department II — production of articles of consumption (consumer goods). The output of these two departments totalised every year comprises the annual social product. In simple reproduction the output of Department I is acquired by capitalists in accordance with its natural form to replace (renew) worn-out equipment, and consumed raw materials and fuel. The output of Department II can only serve, in conformity with its natural form, for personal consumption by workers and capitalists. That is to say, the output of Department I replaces the constant capital which has been expended both in Department I and Department II, while the output of Department II is acquired by workers and capitalists from both departments to the magnitude of $(v + m)$, i. e., the amount of the national income. There is an exchange between the two departments: the means of production from Department I go to Department II in exchange for articles of consumption of Department II bought by the workers and capitalists of Department I. The formula $I (v + m) = II c$ is the condition for realising the aggregate social product. The means of production should be produced in the quantity required to replace them in both departments: $I (c + v + m) = I c + II c$. Articles of consumption should be produced in the quantity that can be acquired by workers and capitalists in both departments: $II (c + v + m) = I (v + m) + II (v + m)$. Compliance with these conditions ensures the balanced development of all social production and the complete realisation of all output, given that the scale of social production is constant. Where capitalist expanded reproduction differs from capitalist simple reproduction is that part of the *surplus value* is turned into capital, i. e., it is added to the functioning capital and increases the volume of pro-

duction, which brings about *accumulation of capital*. One part of the accumulated surplus value is used to buy more producer goods, while the other is used to buy more labour power. The proportion according to which the accumulated surplus value increases $c + v$ (constant and variable capital) is determined by the level of the average social *organic composition of capital*. Realisation of the aggregate social product also continues to be a key issue in capitalist expanded reproduction. In expanded reproduction, the proportions are characterised by the following relationships: $I (v + m)$ must exceed $II c$ by the amount of the additional means of production required for accumulation in Department I and Department II; the output of Department I must be greater than the replacement fund, i. e., $I (c + v + m) > I c + II c$ by the amount of c accumulated in Departments I and II, and the entire national income must be greater by the same amount than the output of Department II: $I (v + m) + II (v + m) > II (c + v + m)$, because part of the national income is accumulated, and not consumed. The maintenance of these proportions is indispensable for the normal process of expanded reproduction; under capitalism, however, the balance is constantly upset. Contradictions, and the *basic contradiction of capitalism* in the first instance, give rise to disproportions in the development of individual industries and cause *economic crises of overproduction*, under whose impact capitalist reproduction acquires a cyclic character (see *Cycle, Capitalist*). It is only possible to constantly maintain the balance in social reproduction if the economy develops according to plan, and that can happen under socialism alone.

Reproduction, Socialist, planned and balanced process of constant renewal, expansion and technological improvement of social production aimed at providing a genuine well-being and the all-round development of all members of society, and based on public ownership of the means of production. Material benefits,

labour power and *socialist relations of production* are reproduced on an extended scale in the process of socialist reproduction both within individual socialist countries and within the framework of the socialist world economic system as a whole. Public ownership of the means of production and balanced economic development ensure the superiority of socialist reproduction over capitalist reproduction. Under socialism, it is possible to utilise material and labour resources of society more rationally, and determine the sectoral structure of production that is optimal for a given stage of development. Socialist society consciously gives priority to the accelerated development of the most progressive industries which are crucial for the technological level of the entire economy. It also takes into account the fact that the country's defence capability must be kept strong, and its cooperation with the socialist and the developing countries extended. Under socialism the systematic improvement of living standards serves to constantly expand the consumer goods market. The absence of exploiter classes, and hence of parasitic consumption, greatly increases the possibility of accumulation (see *Socialist Accumulation*). The elimination of crises of overproduction and of competitive struggle and consequent losses serve the same purpose. As a result, higher production growth rates are ensured. Of great significance for enhancing the *efficiency of social production* is the *scientific and technological revolution*; coupled with advantages inherent in socialism, it makes socialist economic system the world's most dynamic economic force. As *developed socialism* becomes reality, the intensive form of expanded reproduction moves to the foreground because the advantages and opportunities which the socialist system provides are widely utilised. The source of expanded reproduction lies in the growth of the *national income*, one part of which is systematically used by society, as the *accumulation fund*, to increase the production and non-production assets. There are assets-intensive and assets-saving forms of intensive expanded

reproduction. The assets-saving form is more progressive, since it corresponds to the objective of socialist reproduction to a greater extent, as it makes it possible to expand production and improve living standards without involving more *capital investment* and *production assets*. The greater effectiveness of capital investment is directly dependent on its concentration in decisive sectors, on increasing the share of expenditure on machinery, on reducing the period of construction, and on the priority channelling of allocated means to build projects that will promote scientific and technical progress and to re-equip and update operating enterprises. One condition of ensuring socialist reproduction is the balanced distribution of the aggregate product so that expended means of production are replaced, and accumulation and consumption funds established in order to quickly expand production and achieve genuine well-being for all members of society. The realisation of the social product assumes that part of the output of Department I is exchanged between enterprises within the department to replace the means of production expended over the year and to ensure the growth of the production assets to expand production. Within Department II, part of the output is also exchanged between state and collective-farm and cooperative enterprises. From this output, the requirements are satisfied both of workers already engaged, and of those who will be engaged in Department II. Apart from that, a certain share of the output is sold to workers in the non-productive realm in exchange for their incomes which are engendered by the surplus product. The remaining part of the output of both departments is exchanged between them, with the result that Department I ensures expanded reproduction of the production assets of Department II, while Department II provides articles of consumption needed by all workers in Department I. The balance between the two departments and other inter- and intra-industry proportions in socialist reproduction are maintained through balancing the production and distribution of the social product; it indicates which in-

dustries and in which quantities are manufacturing a certain product, and where it is sent to be utilised. Apart from the static material balance, which is instrumental in coordinating the aggregate and the *final social product* of the period covered by the plan, dynamic balance models are also utilised (see *Balance Method*). They make it possible to coordinate the volumes of the aggregate product, national income and capital investment over several plan periods. The development of computer technology and the wider application of mathematical methods in economics facilitate the elaboration of the optimal economic balances for the country which makes social production more effective.

Retail Prices, the prices at which consumer goods are sold to the population. They redeem all production and sales costs. In the USSR, the retail price includes the wholesale price of industry (see *Wholesale Prices*) which includes *cost of product*, profit, wholesale realisation premium, and for some products the *turnover tax* and trade discount (premium) which is used to cover *circulation costs* and the profit of retail trade organisations. Trade discounts are differentiated for goods, locations, and retail systems. Retail prices are divided into state, commission trade and collective-farm market prices. State retail prices are fixed in a planned way. It is at these prices that most goods in the state and cooperative trade are sold (over 98 per cent of retail trade turnover). Most products with approximately equal production costs in different regions of the country have uniform retail prices throughout the country. Zonal prices have been established for the most important food items, primarily because of the differences in transportation costs. Some products are priced in the Union Republics or locally. Depending on the time they remain in force, prices are classified into permanent, temporary, and seasonal (fruit and vegetables). In the collective-farm market, prices are dictated by supply and demand rather than planned by the state. On the other

hand, the state indirectly regulates them through pricing in the state retail system. Retail prices have a specific role to play in the system of planned pricing. They express the relations between socialist society and its individual members in the processes of distributing the *national income* and of *exchange*. The level of *real wages* with given cash income and taxes, depends on the level of retail prices. The lowering of retail prices is economically rooted in the reduction of production cost and availability of state commodity reserves. The socialist state consistently raises living standards by increasing cash income and the *social consumption funds* at the same time as maintaining stable state retail prices for basic food and non-food items, and reducing prices when conditions ripen and reserves are accumulated.

Revisionism, the unscientific revision of the fundamentals of Marxism-Leninism. It dates back to the late 19th century, when pre-monopoly capitalism grew into *imperialism*, and emerged in the Social-Democratic parties of the Second International. It provided the theoretical justification for *opportunism* and the reformist, social-chauvinist, nationalist policy and tactics of the right-wing leaders of these parties. The founder of revisionism was E. Bernstein. In the early 20th century, revisionism was widespread in the Social-Democratic movement in Germany, France, Austria-Hungary, Russia and other countries (R. Hilferding, O. Bauer, E. Vandervelde, Ph. Scheidemann, L. Trotsky, etc.). Attaching an absolute value to and misinterpreting certain phenomena such as parliamentarism, reforms, the growth and strengthening of trade unions, increasing scale of cooperatives, expansion of the rights of municipal councils, the growth of production and the formation of companies, the revisionists, under the guise of creatively developing Marxism, denied the necessity of a socialist revolution, the dictatorship of the proletariat and the expropriation of the means of production from the bourgeoisie. They called for a "correction" of Marx's theory of value,

opposed the Marxist theory of surplus value and said that small-scale production has advantages and is ousted very slowly, if at all, by large-scale production, that economic crises can be eliminated, etc. The theory of imperialism and ultraimperialism (see *Theory of Ultraimperialism*) of K. Kautsky during World War I, and Hilferding's theory of "organised capitalism" substituted schemes isolated from reality which they had invented for specific historical analysis. These theories overlooked the important features and processes of monopoly capitalism and spread the illusion that capitalism could evolve into socialism. The revisionists of the Second International did not recognise the world-historic importance of the Great October Socialist Revolution. They claimed that Russia was not prepared for socialism, denied the socialist nature of the USSR's development, and took an anti-Soviet and anti-communist position. Revisionism was thoroughly criticised by G. V. Plekhanov, R. Luxemburg, F. Mehering, P. Lafargue, A. Labriola, D. Blagoev, and others. The revisionism of the Second International leaders was made spurious by V. I. Lenin who updated Marxism in conformity with the conditions of the new historical era, and led the struggle against revisionism to an organisational split with its advocates and to the formation of the party of a new type. Following the collapse of the Second International in 1914, the working-class movement split into the right-wing social-reformist current and the left-wing, revolutionary current which developed into the world communist movement. In the communist movement, modern revisionism feeds on the complexities of dealing with the problems brought to the fore in the practice of building socialism in various countries, the formation of a world socialist system, the revolution in science and technology, the deepening world revolutionary process, and development of state-monopoly capitalism. Being a petty-bourgeois ideology, revisionism strives to discredit the ideology of Marxism-Leninism and real socialism in the eyes of the working people, and to split the world socialist system and the

international communist movement from inside. Modern revisionism has gone through three stages of development associated with the basic stages in the *general crisis of capitalism*. In the 1920s and 1930s, the Communist International fought against anti-Leninist trends represented by Trotsky, Zinoviev, Preobrazhensky, and Bukharin in the Communist Party of the Soviet Union (Bolsheviks), Maslov, Ruth Fischer, and Bandler in the Communist Party of Germany, the revisionist groups in the Communist Parties of Czechoslovakia (Bubník), Italy (Bordiga), France (Souvarine), China (Li Lixiang), etc., over key questions such as the possibility and ways of building socialism in one country — the Soviet Union — the dictatorship of the proletariat, the New Economic Policy (NEP), the nature of capitalist stabilisation in the 1920s, and the colonial and other issues. Following World War II the communist movement had to overcome two worldwide waves of revisionist activities in the 1950s and 1960s. The revisionist groups were criticised and organisationally defeated in the Communist Parties of Hungary (I. Nagy, G. Losonczi), USA (J. Gates), Canada (J. Salsberg, S. Smith), Italy (G. Giolitti), Denmark (A. Larsen), France (H. Lefebvre, P. Hervé), and Poland (R. Zimand, L. Kolakowski). The revisionist views widespread in the Communist League of Yugoslavia (M. Djilas and others) were comprehensively criticised, as were subsequently the positions of the right-wingers in the Communist Party of Czechoslovakia (O. Šik, I. Sviták and others), people like R. Garaudy in France, E. Fischer and F. Marek in Austria, the Manifesto group in Italy, etc. The basic ideological and theoretical premise of modern revisionism is the pluralism of "models of socialism". This conception denies common features (including economic) of the proletarian revolution and the building of socialism and communism. Attempts to economically justify any revisionist "model of socialism" invariably boil down to petty-bourgeois nihilism and the vulgarisation of political economy in the spirit of market socialism (see

Theory of Market Socialism). State-monopoly capitalism is regarded by revisionists in the spirit of social reformism (see *Reformism*). Formerly, revisionism denied the very possibility and necessity of a political economy of socialism (Hilferding); political economy was supposed to treat only the relations of production of the capitalist commodity economy where economic laws are uncontrollable and fetishism of commodities is prevalent. The modern revisionism replaces Marxist-Leninist analysis of the economic structure of socialist society by petty-bourgeois conceptions and treats nihilistically the political economy of socialism, a science that has come into existence and is developing. Revisionists deny the decisive role of the theoretical heritage of Marx, Engels, and Lenin in development of the political economy of socialism; ignore the experience of millions of people who have built socialist society; do not recognise common features and laws in development of the communist mode of production in different countries. Revisionism of bygone days obtained sustenance from the *vulgar bourgeois political economy* of the second half of the 19th century; today's brand obtains sustenance from vulgar bourgeois political economy of this century. Revisionism distorts the essence of state property under socialism, does not recognise its public nature, and equates state-monopoly and socialist state property. Right-wing revisionists denigrate the effectiveness of the incentives to work inherent in socialism, and call for "socialist competition". In their view, socialist society cannot directly manage expanded reproduction or impose its amounts and proportions in a planned and systematic way. They regard socialist production as a variety of commodity, market economy, and believe that profit is the basic objective of the enterprise. "Left-wing" revisionists ignore the objective causes of commodity-money relations in the socialist economy and their new content, and do not understand the significance of utilising these to further the building of communism. Right-wing revisionist conceptions deny the principle of equal pay for equal labour. "Left"-wing

revisionists underestimate personal material incentives and advocate the same pay for any kind of work. The economic policies and system of managing social production advocated by revisionists conflict with the interests of the working class and the needs of developing the productive forces and socialist production relations. Although different in form, right- and "left"-wing revisionist conceptions are essentially identical. As the socialist economic mechanism evolves, they see only misunderstood historical (in particular, national) features in the development of their countries rather than the essential characteristics of the new mode of production. Attempts to implement right- and "left"-wing revisionist conceptions fail, and the countries inevitably face the choice between the restoration of capitalism and the implementation of Leninist principles of running the socialist economy. All revisionist conceptions oppose international unity and cooperation among the socialist countries and communist parties. Ideologically they result in the spread among the working people of non-proletarian, petty-bourgeois views, the revival and consolidation of private property, middle class, and local interests, and nationalist and great-power chauvinist aspirations. Marxist-Leninist economic theory has been developing in an irreconcilable struggle with economic revisionism. The CPSU and fraternal parties resolutely oppose both right- and "left"-wing revisionism which tries to push the international revolutionary working-class and communist movement into taking opportunist positions and implant in it the ideology of reformist or anarchist, adventurous views.

Russian Revolutionary Democrats, representatives of the revolutionary movements and ideologists of peasant democracy, which emerged in the 1840s and became the leading force among social movements of the 1860s and 1870s. The key figures were V. G. Belinsky, A. I. Herzen and N. G. Chernyshevsky whom Lenin called "predecessors of Russian Social-Democracy" (V. I. Lenin, *Collected Works*,

Vol. 5, p. 370). Their common link with Russian Social-Democracy was revolutionary struggle against serfdom and the feudal monarchy, awareness of the transient nature of capitalism and the need to radically change all the socio-economic conditions in the country, and faith in inevitability of socialism. The revolutionary democrats combined the idea of a peasant revolution with ideas of *Utopian Socialism*. The ideologist of the democratic trend in the 1840s was V. G. Belinsky (1811-1848). Overcoming the obstacles of censorship he criticised serfdom and advocated changes in the country's socio-economic relations. Unlike other revolutionary democrats, he was deeply convinced of the inevitability of the capitalist stage in development of Russia, and aware that the bourgeois system was more progressive than the feudal system, and believed that the bourgeoisie had a role to play in eliminating the bounds of serfdom. Moreover, Belinsky wrote that Russia would not stop at the capitalist stage because capitalism had many vices, and would surely proceed ahead to socialism. He did not know the real way to establish socialism; his socialism was Utopian. However, his socialist ideas responded to the vital needs of Russia and were useful in the revolutionary class struggle against the feudal serf economy and in moving towards progressive new production relations. In the 1850s and 1860s revolutionary democratic ideas were put forward and publicised by A. I. Herzen (1812-1870) and N. P. Ogarev (1813-1877), who established a free Russian press abroad, in London. Their magazine *Kolokol* (The Bell) became the focus of struggle against serfdom in Russia. Herzen and Ogarev sharply criticised Russian serfdom, the principal reason for the country's backwardness. Herzen called for the free takeover of all land by the peasants, and realised that this was only possible through revolution. Consequently, he was the ideologist of a peasant revolution. Lenin pointed out that Herzen "played a great part in paving the way for the Russian revolution" (V. I. Lenin, *Collected Works*, Vol. 18, p. 25). Herzen criticised the Western capitalist

system and its contradictions, and came to the conclusion that it would inevitably collapse and be replaced by socialism. However, he overlooked the historical role of capitalism, thought that Russia might not necessarily develop along the capitalist road; it was on this premise that he constructed his erroneous theory of "Russian socialism". He wrongly believed that the Russian peasant village community was the embryo of socialism and the *muzhik* — the Russian peasant — would be the man of the future. Near the end of his life Herzen acknowledged the significance of the First International led by Marx, and of the class struggle waged by workers in the West. An eminent Russian pre-Marxian economist was N. G. Chernyshevsky (1828-1889), the inspirer and spokesman of the peasantry which rose to fight serfdom. The magazine *Sovremennik* (The Contemporary) which he edited (1853-1862) was the centre of social and political struggle. Chernyshevsky profoundly and comprehensively criticised the feudal serf economy and pointed to democratic revolution as the only possible way of liberating the peasants. His economic programme included confiscation of the land from the landlords, nationalisation, and the transfer to communities. He believed that once it had acquired a new essence, the community would become the stronghold of socialism. Consequently, Chernyshevsky was the ideologist of peasant socialism, and a profound critic of capitalism with its many vices such as anarchy of production, competition, overproduction crises, exploitation of the working people, etc. Chernyshevsky believed that Russia would be able to avoid or at least reduce the duration of the stage of capitalism because capitalism was, in his view, a social form which was "wasteful for society", which would cause its collapse. He correctly concluded that capitalism was of a transient nature, and believed that the transition to socialism was historically justified. But since he was not conscious of the objective ways of this transition, his socialism was Utopian. Chernyshevsky made a significant step forward in comparison with Western Utopian socialists because he saw class

struggle and revolution as leading the way to socialism. Marx appreciated Chernyshevsky as a brilliant critic of bourgeois

political economy who competently exposed its bankruptcy (Karl Marx, *Capital*, Vol. 1, pp. 24-25).

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Scale of Prices, the weight quantity of metal (gold or silver) accepted in the given country as a monetary unit. The monetary unit of a definite name with its division into smaller monetary units serves for measuring and expressing the prices of all commodities. The price scale is legislatively established by the state. *Money* as the embodiment of social labour makes it possible to co-relate commodities through *price*. The necessity of measuring commodities against each other in price gave rise to the technical necessity of an invariable and common unit of measure, i. e., in the scale of prices. At a time of metal circulation (gold, silver, copper) the unit of weight measure of metal began to serve as a natural unit of measuring the price of a commodity. For instance, in Britain it is the pound sterling (a pound of silver), in ancient Rus — the "grivna" (a silver ingot weighing 204gr). But with the movement of history, many of the monetary units (pound, livre, etc.), although retaining their former name, began to contain considerably less metal because of erosion, the introduction of foreign currency, etc. Monetary units are usually broken up into smaller proportional parts: rouble — into 100 kopecks, dollar — into 100 cents. In the USSR the rouble plays the role of the scale of prices; its gold content equals to 0.987412 gr of pure gold. Under socialism the state, while planning prices and money circulation, brings its influence to bear on the real magnitude of the scale of prices expressed in money.

Scientific and Technical Progress, the interrelated advance of science and technology caused by the needs of material production and growing social requirements, which become increasingly complex. Scientific and technical progress is inseparably linked with the appearance and development of large-scale mechanised

production based on the increasingly intensive use of scientific and technological achievements. It allows powerful natural forces and resources to be placed at the service of mankind, production to be turned into a technological process of the deliberate use of the information provided by natural and other sciences. As the links between large-scale mechanised production and science and technology gained in strength at the close of the 19th and beginning of the 20th centuries, special kinds of scientific research were swiftly expanded, the aim being to embody scientific ideas in technical means and new technology, applied research, research and development. As a result, science increasingly turns into a direct productive force transforming growing numbers of aspects and elements of material production. Scientific and technical progress has two main forms: (1) evolutionary, signifying a relatively slow and partial improvement of the traditional scientific and technological foundation of production; (2) revolutionary, embodied in the *scientific and technological revolution*. These forms are interdependent: the quantitative accumulation of relatively small changes in science and technology ultimately leads to radical qualitative transformations in this field and, after switching over to basically new machinery and technology, gradual evolutionary changes. Depending on the dominant social system, scientific and technical progress has different socio-economic consequences. Under capitalism, private appropriation of the means of production and the results of research and development lead to scientific and technical progress developing mainly in the interests of the bourgeoisie and being used to intensify the *exploitation* of the proletariat, and to militaristic and misanthropic ends. Under socialism, scientific and technical progress is placed at the service of society as a whole and its achievements are used for fulfilling the economic and social tasks involved in building communism, forming the material and intellectual prerequisites for the comprehensive development of the individual. In the period of *developed socialism*

ism, the acceleration of scientific and technical progress is a decisive condition for raising the *efficiency of social production* and improving the quality of output, so it is the most important goal pursued in the strategy of the CPSU. The technical policy evolved by the CPSU at the present stage is increasingly subordinated to fulfilling the economic and social tasks facing Soviet society, speeding up the economy's transfer on to the lines of intensive development and raising the efficiency of social production. Proceeding from this, the 26th CPSU Congress pointed out the need to elaborate and implement a complex programme for scientific and technical progress, special programmes for resolving the most important scientific and technological problems, consolidating mutual links between science and production, determining and attaining the main objectives of research and development and the organisational structure of research institutions in good time, intensifying the cooperation between the social, and natural sciences and engineering. In the period up to 1990, the comprehensive mechanisation of crop-growing and livestock-breeding is, in the main, to be completed. The technical retooling of production is being speeded up on the basis of a unified technical policy in all the branches of the national economy, and progressive machinery and technology are introduced on a broad scale, thereby ensuring higher labour productivity and quality of output, thrifty use of material resources, better working conditions, environmental protection, and rational use of natural resources. A transition is effected from developing and introducing individual machines and technological processes to the development, production and broad application of highly efficient systems of machines, equipment, instruments and technological processes, ensuring mechanisation and automation of all production processes, especially auxiliary, transport and storage operations. Wider use is to be made of regeared technical means which will make it possible to start rapidly producing new output. Fundamentally new machines and technology are in the offing,

alongside an improvement of existing technological processes.

Scientific and Technological Potential, the aggregate of labour and material resources, scientific and technological knowledge and production experience a country possesses for developing and applying the achievements of the scientific and technological revolution. It makes the *productive forces* function effectively, being an important element of reproduction in the context of the scientific and technological revolution. The nature and character of the scientific and technological potential are determined by the form of ownership and the system of *relations of production*. The scientific and technological potential consists, mainly, of research, engineering and production personnel. It is they who provide knowledge and accumulate production experience, draw past knowledge and experience (scientific publications, patents, *know-how*, etc.) into material production, apply the achievements of the scientific and technological revolution, embodying them in means of production and consumer goods. In the future, the scientific and technological potential's role in the economic development of all countries will steadily increase.

Scientific and Technological Revolution, radical changes in the system of scientific knowledge and in technology, inseparably linked with the historical development of human society. The industrial revolution of the 18th and 19th centuries, during which large-scale mechanised production replaced craftsmen and capitalism became consolidated, was based on the scientific revolution of the preceding two centuries. The contemporary scientific and technological revolution, leading to the replacement of mechanised by automated production, is based on the scientific discoveries made at the close of the 19th century and during the first half of the 20th. The latest achievements in science and technology entail a revolution in society's *productive forces* and create tremendous opportunities for production to grow. The discoveries made in the field

of the nuclear and molecular structure of matter laid the foundation for the creation of new materials. The successes in chemistry made it possible to create substances with predetermined properties; the study of the electrical phenomena in solid bodies and gases gave birth to electronics. Research into the structure of the atomic nucleus opened the way for practical use to be made of atomic energy. Means for automating production and management were created thanks to the development of mathematics. All this testifies to the creation of a new system of knowledge about nature, a radical transformation of production technology and processes. The development of production is no longer limited by man's physiological possibilities or by natural conditions. The possibilities for production to grow, resulting from the scientific and technological revolution, conflict fiercely with the capitalist *relations of production*, which subordinate progress in science and technology to the pursuit of higher profits and consolidation of monopoly domination (see *Monopolies, Capitalist*). Capitalism cannot set science and technology social tasks corresponding to their level and nature; instead, it lends their development a lopsided, ugly character. In capitalist countries, the use of technology has such social consequences as a rise in *unemployment*, the intensification of labour, and the concentration of wealth in the hands of financial magnates. Socialism is a social system that opens up broad horizons for the development of the scientific and technological revolution in the interests of all the working people. In the USSR, the scientific and technological revolution is inseparably linked with the building of the *material and technical base of communism*. Production is technically developed and improved in order to complete the comprehensive *mechanisation of production*, and the automation of the processes that have been technically and economically prepared for this, to develop a system of automatic machines and to create the requisites for going over to comprehensive automation. The development of implements of labour is inseparably linked

with changes in the technology of production, the use of new sources of power, raw and other materials. The scientific and technological revolution influences all aspects of material production. The change-about in the productive forces is responsible for a society attaining a qualitatively new level in managing production, for higher demands on personnel and the *quality of the work* done by every worker. The possibilities opened up by the latest achievements in science and technology are realised in the growing productivity of labour on which basis adequate supplies and then an abundance of consumer goods is achieved. As technology advances, above all, as automatic machines are introduced, the content of labour changes, unskilled and arduous manual work is eliminated, the level of the professional training and the general culture of workers is raised, and agricultural production is switched over to an industrial basis. In the future, having ensured maximum well-being for all, society will overcome the *essential distinctions between town and country under socialism*, and also the *essential distinctions between mental and physical labour*, and will create the conditions for the individual's all-round physical and intellectual development. Thus, the fusing of the achievements of the scientific and technological revolution with the advantages of the socialist economic system means that all sides of the life of society progress towards communism. The scientific and technological revolution is the main arena of economic rivalry between socialism and capitalism. In addition, it is also an arena for an acute ideological struggle. Bourgeois scientists concentrate mainly on the natural-technological side of the scientific and technological revolution. Defending capitalism, they consider the shifts taking place in science and technology outside the context of social relations, in a "social vacuum", reduce all social phenomena to processes taking place in the sphere of "pure" science and technology, write about a "cybernetic revolution", which, they allege, leads to the "transformation of capitalism", to its turning into a "welfare society" devoid

of antagonistic contradictions. In fact, the scientific and technological revolution does not change the exploitative nature of capitalist society, but further aggravates and deepens social contradictions and the rift between the wealth of the few at the top and the poverty of the masses. Capitalist countries today are just as far from the mythical "abundance for all" and "general welfare" as before the scientific and technological revolution.

Scientific Organisation of Labour under Socialism, a complex of organisational, technical, economic, sanitary, and psychophysiological measures based on the achievements of science and advanced technology and ensuring the most effective use of material and labour resources and a steady growth of *labour productivity*, provided the health of the working people is protected. Among the main trends in the scientific organisation of labour are: improvement of labour division and cooperation; better organisation and servicing of work places; introduction of progressive work methods; improvement of labour rating; use of every worker in accordance with his abilities, training, education and with due account for the requirements of production; improvement of the workers' cultural-technical level; all-out improvement of working conditions; improvement of the forms and methods of material and moral incentives. The scientific organisation of labour is an important condition for making rational use of production resources and for boosting labour productivity and the *efficiency of social production*. The planning of measures for improving the methods of the scientific organisation of labour, raising the level of labour organisation and improving working conditions are components of national economic planning and management. The *scientific and technological revolution*, bringing radical changes in technological processes, a higher concentration of production and an increasingly active role of the subjective factor in socialist production, accounts for the constant improvement of the scientific organisation of labour in all sectors of

the national economy, making production and social working conditions better. The supreme goal of socialist production is to ensure the most favourable conditions for creative, highly productive work, this being the most important factor in the all-round harmonious development of the individual.

Service Sphere, industries of the economy and other activities combined, which provide the people with material and non-material services. Unlike material production (see *Production Sphere*), labour expended in providing services does not create new use values. Two types of services can be distinguished: material and non-material. Material services are concerned with transfer, maintenance or restoration of use values created in the sphere of material production. Thus, they preserve or augment the amount of social labour contained in the material wealth. This labour belongs to the production sphere of the economy, and is directly involved in the creation of the *national income*. Material services include freight transport, production communications, material and technical supplies, trade (that part of it which continues the production cycle), public catering; services for the manufacture and repair of footwear, clothing, and items of cultural and everyday consumption. In the non-material category are services such as education, health care, passenger transport, cultural and educational institutions, sports and physical culture facilities, government offices, certain consumer service utilities (public saunas and baths, laundries, barber's shops, etc.). They all belong to the *non-production sphere* of the economy.

Share-Cropping, type of land tenure (giving land for temporary use) in which the landowner is paid rent in the form of a certain proportion of what is produced on that land (one-half, one-third, one-tenth, etc.). Share-cropping arose in slave-owning society, and was widely developed under feudalism. It characterised the economic dependence of the peasants in possession of the means of production on the feudal lord who owned the land. The typical forms of

share-cropping in Russia and Western Europe were quit-rent in kind and one-tenth of the harvest appropriated by the church. As a survival of feudalism, share-cropping existed in Russia up to the 20th century. Lenin noted that by 1914, depending on the region of Russia, the land tilled by peasants in return for a half of their harvest amounted to 21-68 per cent of the peasants' own lands. Share-cropping still exists, especially in economically less developed countries, as a form of the exploitation of small peasants by the bourgeoisie and landlords.

Share Values, see Stock (Share).

Simple Capitalist Cooperation, initial form of a capitalist enterprise; an association, under the capitalist's command, of several wage workers doing similar work. Cooperation provided a number of advantages over individual artisan production. The joint labour of a great number of workers, some of them more adroit and skilled than others, evened out individual differences in the work force. Collective labour emerged as average social labour. It economised on the means of production per unit of output as a result of saving fuel and light in the joint workplace, etc. Joint work produced the spirit of competition and raised *labour productivity*. It created important advantages during seasonal work, when the labour process had to be made continuous. Historically, simple capitalist cooperation played a progressive role, as it helped socialise labour and thus increase its productivity. As a capitalist form of the development of the productive forces, cooperation was the first stage in the production of relative *surplus value*.

Simple Commodity Production, production of goods for exchange via purchase and sale, based on the private property of small commodity producers and their personal labour. It arose in antiquity, when the primitive communal system disintegrated and slave-owning society just began to emerge. It exists in the form of artisan economies and peasant farms in all antagonistic socio-economic formations and in the

period of transition from capitalism to socialism. Simple commodity economies produce in order to satisfy the vital needs of producers. Artisans make all of their products and peasants some of them for the market in order to exchange them for products made by other people's labour which they need to meet their personal and production requirements. For this reason, the commodity producers' labour is social in nature. The small commodity producer, as an owner, creates the products of his labour independently of others, setting his sight at the unknown purchaser. The social nature of his labour is therefore hidden in the process of production and it appears as directly private. Thus, the commodity producer's labour is at the same time both private and social, and the contradiction between these two aspects is the principal contradiction in simple commodity economy. The social character of the commodity producer's private labour is manifested spontaneously, in the process of exchange. The law of commodity production is the *law of value*. Its operation and the competitive struggle turn simple commodity production into capitalist commodity production. Simple or direct commodity producers have a dual nature. On the one hand, they are workers who obtain their means of livelihood through personal labour and are exploited. This brings them objectively close to wage workers and explains the unity of their vital interests in the struggle against the capitalist system and for the creation of a new social system. On the other hand, simple commodity producers as private owners of the means of production create products for the market and strive to realise them to benefit themselves and to the detriment of other commodity producers. In the period of the transition from capitalism to socialism, the dictatorship of the proletariat changes small commodity production along socialist lines, transferring it onto a cooperative basis.

Simple Labour, labour not requiring special training, unskilled labour "which any average individual can be trained to do" (Karl Marx, *A Contribution to the Critique of Political Economy*, p. 31). Under com-

modity production simple labour is the basic form to which all types of complex labour are reduced. Commodities are thus realised as products of simple labour, since their value is expressed in different amounts of simple labour. Types of complex labour are reduced to it as a unit of their measurement in societies in which commodity production and commodity-money relations exist. Under private ownership of the means of production, this reduction is spontaneous and done on the market, behind the back of the commodity producers, which predetermines *commodity fetishism*. In socialist society labour is reduced in a planned way both in production and in circulation. Differences in the qualification of work are taken account of in elaborating plan assignments to increase the volume of production and train the labour force, and in distributing material benefits in conformity with the law of distribution according to the work done. The ongoing *scientific and technological revolution* and the transition to comprehensively automated production prepare the material conditions for implementing a broad programme of measures to ensure a steady growth in the workers' cultural standards and work skills, and to overcome essential distinctions between mental and physical labour and skilled and unskilled work.

Slave-Owning Mode of Production, the first mode of social production in history based on class antagonisms (see *Classes, Social*) and the *exploitation of man by man*. The main antagonistic classes under the slave-owning mode of production were slave-owners and slaves. Besides these, there were free peasants, artisans, and merchants. The prerequisites for the advent of slavery were rooted in the development of the *productive forces* in primitive society: these were the increase of *labour productivity* to the extent that a *surplus product* was created, and the consolidation of private ownership of the means of production and material inequality. The slave-owning mode of production came into being when slaves were used in production as the basic productive force, society was divided into

the classes of slave-owners and slaves, and state evolved as the organ of slave-owner power. The slave-owning mode of production reached its acme in Ancient Greece and Ancient Rome. Many peoples did not experience this formation and arrived at feudalism directly following primitive communal society. The production relations of the slave-owning system operated through the ownership of the means of production and slaves as the main work force by the slave-owners. Slaves were the property of either one master or a collective master such as the community, temple, or state. They were flagrantly exploited through *non-economic coercion*. The slave-owners were masters of the lives of slaves and appropriated part of the *necessary product* as well as the surplus product. The number of slaves was replenished primarily by taking prisoners in war, and partly by impoverished peasants and artisans. The economy was chiefly non-commodity and subsistence, but the developing division of labour and exchange resulted in *commodity production*. The surplus product of the individual slave was insignificant, but the total amount of surplus product obtained by exploiting huge numbers of slaves whose cost of labour was extremely low was relatively large. The slave-owners were not engaged in productive work and led parasitic lives. Some of them conducted mathematical, astronomical, and other research, whose application helped to some extent expand production. In comparison with the primitive communal mode of production, the slave-owning mode was a progressive step in social development. It ensured a measure of progress in the tools of labour; under it, *cooperation of labour* expanded, productive forces developed, and science and art began to emerge as specific activities. At a later stage the slave-owning system hindered the progress of society. The slaves were not interested in improving the productive forces; their exploitation often failed to ensure even simple reproduction. Slave-owning society was infested with deep antagonistic contradictions which eventually brought about its ruin. The most important of these contradictions was that between slaves and slave-owners,

and the ensuing contradictions between large-scale production under slave-owners and the small-scale production under the free peasants and artisans, between the intellectual and manual labour, and between town and country as manifested in the class struggle between slave-owners and slaves, the exploited and exploiters. This struggle shook the slave-owning system. Invasions from the outside facilitated its end. It was replaced by the *feudal mode of production*.

Social Character of Labour, social mode of the existence of labour. Labour is always social in character, because people cannot produce without entering into economic ties. The social character of labour identifies itself in different economic forms depending on the type of *relations of production*. Thus, with commodity production based on private ownership of the means of production, the labour of isolated producers acts as private labour. Its social character manifests itself in the process of exchange of the products of labour which resolves the contradiction between private and social labour inherent in commodity production. Under capitalism, this contradiction develops into the contradiction between the social character of production and the private appropriation of its results. The socialist system eliminates the private character of labour, the labour of every individual worker acts from the very beginning as direct social labour. This labour is a historically definite form of the manifestation of the social character of labour. The outstanding specific feature of this labour is that the labour of the individual worker from the very beginning is a component link of society's aggregate labour. Labour is socially recognised and included into society's aggregate labour in a planned way in the process of the activity of society in managing production in the interests of all members of society. The socialist state ensures the planned training of the labour force, its distribution and use, organises social production in a planned way, distributes labour between the spheres and sectors of the economy, and consciously regulates the links between producers. There are es-

sential differences in the degree of the development of direct social labour at state and collective farm-cooperative enterprises. Today this is revealed in the fact that state enterprises are given production assignments, regimes and rates of labour directly by the state and its bodies. The state determines the plan of sales of products to the state for the collective farm-cooperative enterprises and evolves recommendations for the general principles of organising labour. Collective farms directly regulate the distribution of products which remain once the plan of sales to the state is met, the concrete regime and rates of labour. Labour on the *personal subsidiary small holding of a collective farmer* is not directly social, because it is in fact the farmer's personal labour and he uses farm implements which he himself owns (see *Personal Property*). As the *productive forces* develop and their social nature becomes more pronounced, and socialist ownership of the means of production further expands, the differences between the state and collective farm-cooperative enterprises in the degree to which labour at them is directly social disappear. The direct social character of labour is linked with its universality. In a socialist society every able-bodied member of society must work according to his abilities. The universality of labour manifests itself in the right to work enjoyed by each able-bodied person. This right, as proclaimed in the Constitution of the USSR, is ensured by the socialist economic system, the steady growth of the productive forces, free vocational and professional training, improvement of skills, training in new trades or professions, and the expansion of the systems of vocational guidance and providing jobs.

Social Consumption Funds, part of the *consumption fund* of socialist society intended primarily for the joint satisfaction of the socio-economic requirements of all members of society. The social consumption funds express the relation between society as a whole, the work collectives and each individual member of society *vis-à-vis* that part of the *national income* designed for personal consumption. Their purpose

is to ensure that the socialist state influences in a planned way the formation of the structure of the people's expenditures and consumption in the interests of the gradual merging and levelling out of the socio-economic status of all members of society. Representatives of all social groups have a radically new opportunity to receive, through the social consumption funds, a corresponding education, acquire access to culture, develop their abilities and thanks to this can occupy a position in socialist production and society corresponding both to their abilities and to the interests of society. The social consumption funds ensure free education and improvement of one's skills, free medical care, benefits, pensions, student stipends, payments for holiday leaves, free and discount accommodation at sanatoriums and rest homes, the bulk of the costs of sending children to preschool establishments, and other grants and benefits. In the USSR, grants, benefits and free service provided by the social consumption funds are financed primarily through expenditures of the *state budget of the USSR*. A relatively small portion is financed from the socio-cultural and housing fund of enterprises (associations) (see *Economic Incentives Funds*), from the centralised social security funds or social maintenance funds for the collective farmers, etc. During the building of socialism and communism, a range of requirements fully or partially provided for from the social consumption funds changes. The forms in which these funds are distributed also develop. This is due to the greater opportunities of developed socialist society to satisfy more fully the constantly growing requirements of the working people. In perspective, the existing social consumption funds will evolve into communist funds, and their functions, structure and forms of distribution will change. They will satisfy the requirements of people which will become much broader and there will be greater collective involvement in satisfying the requirements.

Social Division of Labour, isolation of various types of work activity. There are two basic types of the division of labour:

inside society, and inside an enterprise. Labour is divided inside society into general — according to the kinds of production (industry, agriculture) and particular — where the kinds of production are divided into types and subtypes (extracting and processing industry, crop-growing and stock-breeding). There is also the territorial division of labour — according to territorial economic regions. The division of labour inside an enterprise is called individual. The growth of society's *productive forces* conditions the social division of labour. In its turn, the social division of labour is a factor in the development of the productive forces, since it helps workers to obtain production experience and skills, to raise their qualification and expand their knowledge, and facilitates the development of the *implements of labour*. Progress in the social division of labour characterises the level of development of society's productive forces. Historically there have been three extensive social divisions of labour — separation of cattle-farming tribes, the separation of the crafts from agriculture, isolation of trade — which helped to increase labour productivity and created the material prerequisites for regular exchange, the appearance of private property, and the division of society into classes. The social division of labour in pre-socialist formations led to the separation of the town from the countryside, and to the appearance of contradictions between them and also to the antithesis between mental and physical labour. Because of the development of machine production under capitalism (see *Machine Production under Capitalism*) the social division of labour deepens and industry is completely separated from agriculture. Capitalist relations of production have exceptionally intensified the antagonistic character of the division of labour inherent in exploiting formations. All these processes take place spontaneously, and irregularly amidst ferocious competition, and lead to disproportions and the squandering of social labour. The capitalist division of labour produces the so-called "partial", lopsided development of the worker. Socialism creates a fundamentally new system of the so-

cial division of labour without any of the restrictions inherent in capitalism. It develops in a planned way, and is subordinated to the objective of making production more effective. Under socialism, the difference between urban and rural life, as well as the difference between mental and physical labour, are eliminated. Relations between workers of socialist enterprises are those of comradely cooperation and mutual assistance. The development of technology under socialism is associated with the elimination of the division of labour between the workers of different enterprises which evolved in capitalist machine production and which enslaves them. Socialism is faced with the task of replacing "the detail-worker..., crippled by life-long repetition of one and the same trivial operation, and thus reduced to the mere fragment of a man, by the fully developed individual... to whom the different social functions he performs are but so many modes of giving free scope to his own natural and acquired powers" (K. Marx, *Capital*, Vol. I, p. 458). The fact that socialism has become a world system has determined the appearance of economic relations of a new type between states — the international socialist division of labour (see *Division of Labour, Socialist International*) differing in principle from the international capitalist division of labour (see *Division of Labour, Capitalist International*).

Social (Market) Value, a single value for the commodities of a given type established in the process of the *intra-industry competition*. Enterprises of the same industry are distinguished by different machinery, organisation of production and work, size, and other technical and economic factors. Therefore *labour productivity* at them is different which means that different quantities of products are manufactured in the same work time. The individual value of the commodities will also be different. In the process of intra-industry competition, different individual values level out into a single social value for all commodities of this type, which is usually determined by the individual value of the

commodities manufactured under average conditions by the given industry comprising much of the products turned out by it. In exceptional cases and for a short time, social value may be regulated by poorer or better conditions of production. If demand exceeds supply and the market is in a condition to swallow goods manufactured in poorer conditions, the market value is determined by their individual value. On the contrary, if supply exceeds demand, the market value may be determined by the individual value of commodities manufactured under better conditions. Under imperialism, the process of the formation of market value is influenced by the activity of monopoly capital.

Socialisation of Production, a system of relations expressing the social bond between producers on the basis of *scientific and technical progress* and of the deepening of the *social division of labour*; a form of movement and development of social production, encompassing objective interrelations and inter-dependencies of the level and state of the productive forces and relations of production. It manifests itself, first, in the development and deepening of the social division of labour with the intensification of the inter-dependencies between specialised industries connected to each other by deliveries back and forth of goods; second, the fragmentation of individual economic units is eliminated as a result of the development of various forms of cooperation and the *centralisation of production*; third, *concentration of production* is extended as it becomes concentrated at big enterprises; fourth, the economic ties and the exchange of activity between different economic regions intensify. As a result "... many separate production processes" merge "into one social production process" (V. I. Lenin, *Collected Works*, Vol. 1, pp. 175-76). *Simple capitalist cooperation, manufactory, and factory production* (see *Machine Production under Capitalism*) are the stages of the socialisation of production and labour under capitalism. The historical process of capitalist development is at the same

time the deepening of the contradictions between the social character of capitalist production and private form of appropriation (see *Basic Contradiction of Capitalism*). Monopoly capitalism implies tremendous progress in the socialisation of production. *State-monopoly capitalism* is its highest and most complete form under capitalism. The high degree of socialisation of production under capitalism creates the material prerequisites for the replacement, by a socialist revolution, of private ownership of the means of production by social ownership in order to subordinate production to the interests of society as a whole and to ensure its planned development. "From the moment when society enters into possession of the means of production and uses them in direct association for production, the labour of each individual, however varied its specifically useful character may be, becomes at the start and directly social labour" (F. Engels, *Anti-Dühring*, p. 366). Socialist ownership of the means of production opens up new opportunities for further enhancing social character of production. In the stage of mature socialism, these processes develop under the direct effect of the *scientific and technological revolution* which expands the framework of socialist cooperation of labour and creates new industries, inter-industry and territorial-production complexes. At the same time the entire aggregate of social relations is restructured on the collectivist principles that are inherent in socialism, the leading role of the property of the whole people intensifies further, the two forms of socialist ownership draw closer together, the *planned and balanced development of the socialist economy* rises to a higher level, and the *economic mechanism* is further perfected. Managerial and planning activity in all links is aimed at achieving high economic results. The processes of specialisation and cooperation are speeded up thanks to the creation of large associations, which function on the basis of long-term economic ties. The establishment of a new type of world economy and the development of socialist economic integration (see *Integration, Economic Socialist*) is a new

stage of socialisation of production on the international scale.

Socialism, Bourgeois Economic Theories of, conceptions falsifying the essence of socialism, the economic laws of its development, and the objectives of the economic policy of the socialist countries and communist parties. The theory and practice of scientific socialism are countered by theoretically abstracted "socialist models". Bourgeois economic theories of socialism appeared in the 19th century as a reaction to the growing revolutionary working class movement and to Marxist theory. Their objective is to divert the working masses from scientific socialism, and to make the working-class movement serve the interests of bourgeoisie. Bourgeois economic theories of socialism are founded on various schools and trends of bourgeois economics. Their most prominent 19th century representatives were Johann K. Rodbertus and the Katheder-socialists in Germany; and the advocates of so-called agrarian socialism (Henry George and his followers) in the USA. At the end of the 19th and early 20th centuries, attempts were made to apply subjective psychological theories of marginal utility (see *Theory of Marginal Utility*) and of economic equilibrium (F. Wieser, V. Pareto) to the analysis of socialist economics. After the victory of the Great October Socialist Revolution bourgeois ideologists tried to theoretically substantiate the anti-communist propaganda levelled at the then only socialist country in the world. Central to bourgeois economic literature of the 1920s-1940s period was the so-called economic calculation problem (i. e., rational distribution of resources) under socialism. The "orthodox liberals" L. Mises and F. Hayek (Austria), and the German sociologist and economist M. Weber expounded a theory of the "logical and practical invalidity of socialism", which was founded on an overt apology of capitalism and private ownership. It claimed that under socialism, because there is no free market, there was no mechanism to regulate the rational distribution of resources. Contrary to that, reformist economists of the bourgeois and social-democratic hue (A. Lerner

in the USA; A. Pigou, H. Dickinson and R. Hall in Great Britain, and others) anticipated the practicability of the rational utilisation of resources under socialism and its superior effectiveness to capitalism. However, unable to visualise an economy functioning without a free market, they tried to build a mechanism for adjusting the proportions of socialist reproduction patterned after the mechanism of capitalist competition. Real socialism was counterposed with hypothetical models of "competitive socialism" (e.g., the model of J. Schumpeter). Typical of those models is their claim that socialism is compatible with private ownership, their distortion of socialist economic categories, and their mechanical transfer of those categories into the system of capitalist relations of production (especially true of such categories as "planning" and "balanced character"). Their "models of socialism" and illusion of the multiplicity of socialism are based, above all, on the falsification of socialist social ownership of the means of production. Thus, the model of market socialism (see *Theory of Market Socialism*) substitutes the ownership by certain groups of people for the ownership by the whole people — the leading form of socialist ownership. In many other models socialist ownership is not even identified. The ignoring of social ownership of the means of production as the determining factor of socialism enabled some bourgeois economists (e.g., P. Samuelson) to view socialism as an ideology, which he claims is plagued by "a multitude of contradictory trends". There are attempts to prove the idea that there is no radical qualitative opposition between socialism and state-monopoly capitalism. The British Sovietologist P. Wiles, unable to perceive any essential qualitative differences between socialist ownership by the whole people and state ownership, identifies them with forms of organisation and management of state ownership, thus creating a foundation for building his models of state socialism and regulated socialism. He says that both the state industry in the USSR and the British nationalised industries are of the first model only because industrial management

in both instances is part of the state machine (i.e., they are government-run). The second model incorporates nationalised industries and companies of other West European countries, since they "operate on the free market independently of the state", i.e., they are free to dispose of their own product, buy and sell on the market, receive loans. Models of this kind completely distort the very essence of socialism, and obscure its radical distinctions from capitalism. When they build their models of socialism, bourgeois economists fail to see the essential differences in the class nature of the state under capitalism and socialism. Yet, it is the class content that determines in whose interests and for what purpose state property is created and employed. Under state-monopoly capitalism, state property is created and used in the interests of the leading monopoly groups. Under socialism, the state promotes the interests of socialist society as a whole. Therefore, state socialist property is the property of the whole people, which in both principle and essence differs from state-monopoly property. Ignoring the objective economic laws of socialism, a group of bourgeois theorists declares that the Soviet economy is a "centrally-planned" economy operating on orders "from above" (see *Theory of Centrally-planned Economy, Bourgeois*). All these theories pervert, each in its own way, the mechanism of the economic functioning of socialism. The application to socialism of the bourgeois theories of industrial society (see *Theory of Industrial Society*), convergence (see *Theory of Convergence*) is prompted by the fact that the USSR has entered the stage of mature socialist economy, and by the fact that developed socialism is being built in other countries of the socialist community; the authors of these theories are trying to erase the basic differences between socialism and capitalism, and reject advantages of socialism.

Socialist Accumulation, the planned utilisation of part of the *national income* in socialist society for the development and expansion of the *production sphere*

and the *non-production sphere* of the socialist economy, also for creating material and financial reserves. Socialist accumulation is the foundation of the growth and expansion of production, the creation of the *material and technical base of communism*, the full employment of the country's able-bodied population, and the increasing well-being of the people. The *surplus product* is the source of this, and it exists in the national income as the *accumulation fund*. As social production expands and the national income grows, the volume of the accumulation fund increases year by year, while its share in the national income remains practically unchanged. Socialist accumulation is effected first of all in the form of capital investment (see *Capital Investment under Socialism*) in the economy. Most of the money is invested in expanding the *fixed production assets* and *turnover funds* in the sphere of material production, and in non-productive funds — in the sphere of social and cultural development, and housing construction. Unlike capitalist accumulation, which leads to workers being driven out of production, and to growing *unemployment*, socialist accumulation ensures complete employment for the able-bodied population, and provides the material guarantee for the exercise of the right to work. To this end, certain capital investments are channelled into creating the required number of new jobs in the economy. These are the so-called demographic investments. Socialist accumulation is also expended through raising the technical level of production, and improving the *asset-worker ratio*. These are called technological investments. The volume of accumulation under socialism is determined by the *law of socialist accumulation*. In accordance with it socialist accumulation will ensure a steady increase in *labour productivity*, while maintaining full employment of all the able-bodied population and the maximum possible growth of the real incomes of the working people.

Socialist Emulation, a method of raising *labour productivity* and the effi-

cency of social production and of improving the *quality of work* on the basis of greater creative initiative by the working people. Socialist emulation contributes to the communist education of the working people, and heightens and improves their professional qualifications, educational and cultural levels. The principal aspects of socialist emulation are the involvement of the working people in raising labour productivity in every possible way, enhancing the effectiveness of social production; low labour expenditures, the rational utilisation of raw materials and other resources, improving the *quality of output*, and the better utilisation of *production assets* and capital investments (see *Capital Investment under Socialism*). Socialist emulation is an organic fusion of competition, comradely cooperation and mutual assistance among workers, whose labour is performed in the conditions of socialist ownership of the means of production and is labour for themselves and for the society they live in. Socialist emulation is founded on Leninist principles: publicity, comparability of results, spread of advanced experience. Emulation helps bring those lagging behind up to the level of the top workers, and helps reveal and utilise production reserves in the interests of overall economic growth. The forms and methods of emulation are developed and improved under socialism through the use of *material and moral incentives*. The worker's personal material interest in the result of his work, and his awareness of being the master of his country and his enterprise stimulate his quest for new work techniques and methods to raise labour productivity, and improve the organisation of work and control of the work process, to apply creative initiative, to combat stagnation, and to assist in bringing the achievements of *scientific and technical progress* and all that is new and promising, into the production process. Work collectives at enterprises will develop socialist emulation, promote the spread of better techniques, strengthen *labour discipline*, educate their members in the spirit of communist ethics, and un-

dertake to expand their political consciousness, culture and professional skills. The socialist state gives material rewards and moral encouragement to leading collectives and leading individual workers and innovators who have demonstrated the best labour performance. They are awarded the country's Orders and Medals. The most outstanding are awarded the titles of Hero of Socialist Labour, or the Lenin and State Prizes. In the years of Soviet power socialist emulation has become a potent motive force in the development of the economy and culture of socialist society. At the current stage of building a communist society in the USSR, socialist emulation is assuming qualitatively new features. It merges directly with the key problems of the *economic policy of the CPSU* and the state. The creative labour of the Soviet people gives birth to new patriotic initiatives. Some of the forms are tutorship, emulation between cooperating enterprises, *counter plans*, etc. Socialist emulation is incompatible with rigid patterns, it is constantly developing, deepening and becoming richer in form. The highest form of socialist emulation is the movement for a communist attitude to labour. The principal feature of the movement consists in organically blending the drive for raising labour productivity and bringing up the new man in the spirit of communism (see *Communist Labour*).

Socialist Trade, commodity circulation between the socialised economy and members of socialist society, as well as between agricultural cooperatives and their members, on the one hand, and the rest of the population, on the other. Through trade, objects for personal consumption are sold to the population, and state and cooperative trade and catering enterprises render it various services. The population's monetary incomes are exchanged through trade for consumer goods, which cease to be public property and become the *personal property* of the members of socialist society, passing from the production sphere to that of personal consumption. Depend-

ing on the way in which the trade process is organised and the functions it carries out, a distinction is drawn between domestic and foreign trade, and within domestic trade — between wholesale and retail. Wholesale trade is conducted on the basis of links, organised in a planned way, and agreements between enterprises and sales organisations for large batches of output (see *Direct Long-Term Economic Ties*). Retail trade brings the goods directly to the consumer. The existence in the USSR of two forms of ownership of the means of production and, correspondingly, of the finished products, as well as personal ownership of consumer goods, explains the existence of three forms of retail trade — state, cooperative and collective farm. Domestic trade consists of a network of trade enterprises (organisations) through which goods travel within the country from the production unit to the customer, and certain production operations including storing, sorting, packaging, etc. In certain socialist countries, such as Bulgaria, Czechoslovakia, and Mongolia, state trade has a ramified network not only in cities, but also in villages. In the USSR, state trade is the leading form of retail trade. As compared with the cooperative and collective-farm forms of trade, it is a higher stage of socialist socialisation in the sphere of trade turnover. The cooperative form of trade is based on *collective farm-and-cooperative property* and is conducted by consumer cooperatives. Here the material means and commodity values are the collective property of the cooperative members. Consumer cooperatives sell consumer goods to the rural population and certain industrial goods to collective and state farms. They purchase farm produce and raw materials in accordance with the state plan and also buy surplus products from collective farms and individual collective farmers and sell them. The activities of cooperative trade enterprises, as well as state ones are state-planned in their decisive indicators (volume of retail turnover, purchases of farm produce, development of the trade network). Most of the goods are sold at state-approved prices.

As distinct from the organised market, which includes state and cooperative trade, collective farm trade is a non-organised market. The increase in the sale of goods and lowering of *retail prices* in state and cooperative trade lead to a drop in retail prices on collective farm markets. Collective farm trade is necessitated by objective requirements and plays a specific role in supplying population with foodstuffs. While improving socialist trade, particular attention is focused on increasing retail turnover, improving the range and quality of goods, and further improving the forms of trade. Lately such advanced forms as self-service, trade by samples, by advance orders, home deliveries of goods ordered and bought, etc. have become widely developed. The new trade forms are economically effective and better satisfy the growing requirements of the population. The modern stage in the development of Soviet trade is characterised by a comprehensive approach to tackling the tasks facing it. This means a further strengthening of the material and technical basis for trade, improvement of its links with industry, greater labour efficiency of trade workers, the solution of personnel questions, a steady growth of the quality of consumer goods, etc. The improvement of trade organisation and enhancement of labour efficiency in trade are of major economic importance: customers save their time, their solvent demand is better met, the standard of service is improved, along with the range and quality of goods, owing to the active effect of trade on industry, etc. In addition, in developed socialist society, the social role of trade is enhanced, bringing the levels of welfare and culture, and working conditions of various social groups in Soviet society closer together. The demand for consumer goods is met more fully. Trade creates the conditions for further boosting labour productivity, helps the members of socialist society to use *spare time* more rationally. In the process of the improvement and development of socialist trade, the necessary conditions are created for setting up an apparatus for the communist distribution of output according to needs.

Socialist Transformation of Agriculture, the process of creating large-scale socialist collective production in agriculture. It is one of the general laws of building socialism, one of the most important parts of Lenin's plan for building socialism in the USSR. The conditions for the socialist transformation of agriculture in the USSR were created by the *nationalisation of land* and other agrarian reforms enacted after the Great October Socialist Revolution. Prevailing in the USSR in the *period of transition from capitalism to socialism* was fragmentary petty peasant production in agriculture. The objective necessity of restructuring it on a socialist foundation was dictated by the fact that socialism could not long depend on two conflicting pillars: large-scale social production in industry and petty private farm production in agriculture. The small commodity production with its low marketability could not meet the growing social requirements for food and raw materials. And it also carried the threat of breeding capitalist elements, of reviving capitalism in agriculture. The plan of socialist transformation of agriculture elaborated by Lenin was oriented towards the creation of large-scale social production, and the consolidation of the class alliance between the proletariat and the peasantry. The transformation of agriculture proceeded in two directions. In place of the former landed estates large state enterprises — state farms — were established. The small peasant farms, where all the property was the product of the individual labour of the producers themselves, were approached in a different way. Lenin creatively advanced the theories of Marx and Engels to substantiate the only practicable approach to rechannel the petty peasant economy into large-scale social production via the creation of voluntary cooperatives (see *Collective Farm*). Outlining the fundamentals of the theory and practice of founding cooperatives, he wrote in his article "On Co-Operation" that "given social ownership of the means of production, given the class victory of the proletariat over the bourgeoisie, the system of civilised co-operators is the system of socialism"

(V. I. Lenin, *Collected Works*, Vol. 33, p. 471). The ways, conditions, and methods of cooperating peasant economies were extensively substantiated in Lenin's cooperative plan. He insisted that voluntary choice must be the principle in persuading the peasants to join the cooperatives, and that there should be a gradual process of moving from simple to more advanced forms of production cooperation; he urged that cooperatives be given material, technical and financial support, and that the peasants be persuaded through practical experience of the advantages of large-scale social production. By 1927 about 80 per cent of the peasant households were involved in various forms of simple cooperation in the key areas of the USSR. From supply and marketing co-operation, peasants were moving ahead to collective production patterns. Important here were the agricultural associations for joint land-working. They demonstrated to the peasants the advantages of collective production. The cooperatives were given all kinds of support by the state, which vigorously assisted them by equipment, certified seeds and credits on easy terms, etc. Important to the success of creating agricultural cooperatives was the technical re-equipment of agriculture based on a powerful tractor and agricultural machinery industry created especially for the purpose. Peasant cooperation was greatly facilitated by the successful cultural revolution in the rural areas. A massive drive to eliminate illiteracy, the setting up of an extensive network of cultural and educational institutions in rural areas, the training of machine operators and production management experts were among the measures that helped reshape the private ownership-oriented peasant mentality, and transform the petty-household economies into a large-scale production. The working class played a leading role in the socialist reconstruction of agriculture, as it viewed the peasantry as its天然ally. The transformation of peasant economy on a socialist foundation, and the successful creation of cooperatives solidified the material basis of the alliance of the working class and the peasantry. The suc-

cessful implementation of the policy of the CPSU in the countryside, and the creation of the indispensable material, economic and organisational conditions resulted in the high pace of organisation of agricultural cooperatives in the USSR. The socialist transformation of agriculture enhanced the gains of the October Revolution, and placed this hitherto most backward branch on a new socialist path of development. The turn of the Soviet countryside to large-scale socialist economy meant a revolution in economic relations, in the entire way of life of the peasantry. The creation of cooperatives forever freed the countryside from kulak oppression, from class cleavage, from ruin and poverty. On the basis of Lenin's cooperative plan, the age-long peasant question was genuinely solved. The CPSU undeviatingly follows Lenin's theory on the agrarian question, and is developing the ideas and principles of the cooperative plan in the period of mature socialism. The experience of the fraternal socialist countries testifies convincingly that the socialist transformation of agriculture is a law common for all the countries following the socialist path of development. By creatively applying the basic provisions of Lenin's cooperative plan in the specific conditions of their own countries, the fraternal socialist countries have made great accomplishments in developing their agriculture and in the socialist transformation of the countryside.

Socially Necessary Labour, labour expended on manufacturing a certain commodity under socially normal conditions of production, i. e., with an average level of technology, average labour intensity and qualification of workers at the enterprises manufacturing the bulk of the products of the given type. The expenditures of the socially necessary labour determine the magnitude of the *value* of the commodity. They depend on the changes in the *labour productivity*. The higher the productivity, the less labour is expended on manufacturing a unit of output. Under capitalism, expenditures of socially necessary labour evolve in the process of *intra-*

industry competition on the basis of the *law of value*. Under socialism, they evolve under the planned impact of the socialist state. In socialist society, the contradiction between socially necessary labour and individual labour outlays is not antagonistic. This advantage of socialism makes it possible to avoid the losses and the squandering of social labour inherent in capitalism and systematically to bring up outlays lagging sections of production where individual outlays are higher than socially necessary outlays. Reducing the expenditures of socially necessary labour per unit of output makes it possible to increase the volume of production, and is the basis for lowering prices and raising people's standard of living.

Socially Necessary Work Time, the time expended on manufacturing a commodity under socially normal conditions of production (the level of machinery, equipment, skills and labour intensity average for the given stage of development). While determining the magnitude of the commodity *value*, the socially necessary work time influences the proportions that evolve in production. In commodity production based on private ownership, this influence plays a regulating role and is implemented through the competitive struggle of producers. Those whose expenditures of work time on production are higher than the socially necessary, are ultimately ruined; while those who produce goods with outlays below the socially necessary become rich. The competitive struggle becomes especially acute under capitalism. Big capitalist owners, utilising the advantages of large-scale production, ruin petty and medium owners. The advantages of large-scale production are utilised especially extensively under imperialism by the big monopolies which have unlimited possibilities for reducing individual work time far below what is socially necessary. Under socialism, public ownership of the means of production excludes competitive struggle. Socially necessary work time is evolved in the course of the planned development of the economy under the regulating effect of its specific economic laws, first of all of the *basic*

economic law of socialism. Measures are adopted in a planned way to bring up lagging enterprises where individual outlays of time on manufacturing a certain product are higher than socially necessary: re-equipment, upgrading machines and plant, improving the organisation of labour and production, providing high-skilled personnel, etc. Socialist society is interested in consistently reducing the socially necessary work time as a condition of growth of the country's economic strength and of the people's well-being. The policy of making production more efficient and the all-round improvement of the *quality of work* presents especially extensive opportunities for achieving this objective.

Socio-Economic Formation, a historically evolved society developing on the basis of a definite *mode of production*; a historically determined mode of production with a corresponding superstructure. The concept of socio-economic formation first formulated by Marx is the foundation of the materialist understanding of history. It makes it possible to regard the development of human society as a regular process of the replacement of one socio-economic formation by another, more progressive one, to realise the inevitability of the transition of mankind from capitalism to communism. Historically there are five socio-economic formations: the primitive communal, slave-owning, feudal, capitalist and communist. Every one of these formations is based on a definite mode of production presenting the unity of *productive forces* and *relations of production*. The totality of the relations of production forms the economic base of the formation representing the social relations which evolve between people in the process of production, exchange, distribution and consumption of material wealth. The economic base in the final analysis determines the political and juridical superstructure, the forms of social consciousness, ideological relations, the social structure of society, the family, everyday life, etc. The appearance and development of every socio-economic formation is subordinated to

specific and general *economic laws* which are closely inter-related. The specific laws operate at a certain stage of economic development, and determine it right up to the transition to a new stage. The general economic laws bind the socio-economic formations into a single process of development of mankind. The *law of correspondence of relations of production to the nature and level of development of the productive forces* is a law common for all socio-economic formations. Every formation passes through its own stages of development. For instance, pre-monopoly capitalism moves to the imperialist stage. A conflict arises at a certain stage of development of the antagonistic formation between the productive forces and the relations of production. This demands replacing the old mode of production by a new and more progressive mode. In the antagonistic socio-economic formations, based on private ownership of the means of production, the new mode of production is established as a result of the *class struggle* and social revolution, led by the advanced class of the time. Capitalism is the last antagonistic formation based on the *exploitation of man by man*. "The prehistory of human society... closes with this social formation" (K. Marx, *A Contribution to the Critique of Political Economy*, p. 22). The victory of the socialist revolution and the building of socialism radically change the character of historical development and open up a new era — the epoch of the transition of humanity from capitalism to communism. The communist formation has two phases of development — socialism and communism. And in turn, in its movement to communism socialist society passes through two stages: socialism which has been built in the main, and *developed socialism*. In the USSR, developed socialism has now been built and this has opened up broad horizons for the operation of the economic laws of socialism; the *material and technical base of communism* is being created, socialist relations of production are being perfected, and the differences between classes, between rural and urban life, and between physical and

mental labour are being eliminated. A developed socialist society is being successfully built in several of the other countries of the socialist community.

Spare Time under Socialism, part of *out-of-work time* that the working people use for recreation, education, improving skills, public activity, bringing up children, and for satisfying their own cultural and spiritual requirements. Marx called spare time a time "for education, for intellectual development, for the fulfilling of social functions and for social intercourse, for the free-play of his [man's] bodily and mental activity" (Karl Marx, *Capital*, Vol. I, p. 252). The social and economic nature and content of spare time, and its distribution and use, are determined by the kind of *relations of production* dominating in a society. In capitalist society, where the objective of production is the extraction of maximum profits through the *exploitation* of hired labour, spare time stands in antagonistic opposition to labour time and is chiefly the privilege of the ruling classes. Here, according to Marx, "spare time is acquired for one class by converting the whole life-time of the masses into labour-time" (Karl Marx, *Capital*, Vol. I, p. 496). Socialist relations of production radically alter the social and economic essence of spare time, and the nature of the dialectical relation between labour time and spare time. Here, spare time is an important factor in the all-round and harmonious development of all members of society. By eliminating the exploitation of man by man, socialism eliminates the antagonism between spare time and labour time, and creates conditions for the gradual reduction of labour time and increase of spare time for all the working people. Labour time and higher *labour productivity* are the basis for increasing and better utilisation of spare time with the simultaneous improvement of the well-being of the working people. In its turn, spare time, by itself an important factor in enhancing the expertise and a comprehensive development of workers, influences labour time in several ways.

making it more fruitful and effective. Vast opportunities for increasing the spare time of the working people in developed socialist society are offered by rational employment, and by reducing to a minimum out-of-work time consumed by household chores and the general daily round. It has been estimated that annual spare time (including holidays) in the USSR averages 1,800 hours per person — about 1,700 hours for industrial workers and employees, and 1,900 hours for engineers and technicians. A growing feature of the structure of spare time is the time employed for physical culture and intellectual development, and for increasing knowledge. The socialist state provides vast monetary and material means for the development of culture, science and education, thereby providing a sound material basis for efficient utilisation of spare time by all working people. A systematic reduction of labour time and efficient utilisation of spare time by the working people are of key importance in the transition to communism.

Specialisation of Production, a form of *social division of labour* among and within the different industries and enterprises at different stages of the production process. In socialist society, specialisation is a planned process. There are three basic types of production specialisation in industry: a) finished product, i. e., the production by an enterprise (association) of the given commodity for final consumption (e. g., automobile, tractor, machine-tool building plants, garment-making factories, etc.); b) parts, i. e., the production of certain parts of the finished product (e. g., bearing plants, tire factories etc.); c) technological (stage), i. e., specialising in certain manufacturing operations, performing part of the technological process (e. g., foundries, spinning mills, etc.). Specialisation encourages modern efficiency technologies, makes possible the more rational organisation of production and the greater mechanisation and automation of labour, enables its efficiency and quality to be improved, and substantially reduces manual labour and time spent on ancillary

operations. All this eventually leads to higher *efficiency of social production* and *quality of output*. Specialisation in industry is combined with *cooperation of production*. Expanded specialisation and cooperation together with the rational combining of similar enterprises is an important condition for technical progress and the rational organisation of social labour. Specialisation in agriculture is based on the natural and climatic conditions peculiar to each region and economic division. Where it differs from industrial specialisation is a result mainly of the peculiarities of the land as the basic means of production. The amelioration and gaining higher yields from the soil require, besides fertilisers and weed control, proper crop rotation (see *Fertility of the Soil, Economic*). The need to overcome the seasonal nature of agricultural production makes it necessary to grow crops with varying ripening periods. Therefore, specialisation in agriculture does not mean the rejection of varied production within one economic unit. It means the selection, for a given economic division, of the major kinds of production yielding the bulk of marketable produce and their economically feasible link with ancillary and supporting lines of production. There are several kinds of specialisation: zonal specialisation (e. g., zones of sheep farming, grain zones, etc.); inter-enterprise specialisation (cattle farming, grain, vegetable, vinicultural enterprises, etc.); and intra-enterprise specialisation calling for the division of the enterprise into sections specialising in the production of certain kinds of produce. A wide range of measures to advance specialisation and concentration based on inter-enterprise cooperation is currently being carried out in the agriculture of the USSR (see *Inter-Farm Enterprises, Amalgamations and Organisations in the USSR*), including establishment of agro-industrial complexes (see *Integration, Agro-Industrial under Socialism*). Specialisation is gaining momentum in trade, services and other economic sectors. Specialisation in the *world socialist economic system* is a progressive form of international socialist division of

labour (see *Division of Labour, Socialist International*), and is carried out through finished product, technological, part and assembly specialisation. Specialisation intensifies and deepens economic cooperation among the socialist countries, and makes their social production more effective. Specialisation is most effective in the more progressive industries, such as computer production, automation and mechanisation industries, the nuclear power industry, etc.

Stagflation, stagnating or even declining production of a capitalist economy accompanied by ongoing, accelerated rising prices — *inflation*. In the epoch of free competition capitalism the chief ways of overcoming the crisis were the falling *price*, and the devaluation of *capital* in the commodity and production form whereas under *state-monopoly capitalism*, a crisis does not lead to lower prices. To the contrary, prices are rising rapidly in spite of declining production and increasing unemployment. This was very clearly manifested, during the world crisis of 1974-75, when the slump in production was accompanied by a gigantic rise in prices that in several developed capitalist countries (Great Britain, Italy) reached 15-20 per cent annually. In today's conditions, rising prices in a crisis period are caused, first of all, by the policy of the monopolies, which, aided by the state, take a variety of measures to maintain the market price at a high level even in crisis periods. Various anti-crisis measures carried out by the capitalist state also contribute to keeping prices high (e.g., state purchases). Stagflation aggravates economic crises and complicates the ways of overcoming them.

Stagnant Surplus Population, a form of *relative surplus population* under capitalism which embraces the part of the working class employed on an extremely irregular basis and encompasses broad strata of working people. These include, above all, unskilled workers, people living in areas where industrial production has been curtailed, the tem-

porarily disabled, and those made redundant by scientific and technical progress. The scale of stagnant surplus population, like the size of *floating surplus population*, is affected by the economic cycle, the capitalist organisation of labour and the decreasing marginal age of workers. All this leads to an *absolute deterioration of the condition of the proletariat*. Stagnant surplus population is especially extensive in the economically less developed countries. One of its forms is partial unemployment (incomplete working week or working day).

Standardisation, the establishment and implementation of unified obligatory requirements in a certain sphere of human activity (in industry, science, technology, agricultural production, culture, health care, etc.). Standardisation covers those particular goods, norms, requirements, terms, designations, etc., which lend themselves for multiple utilisation. Standardisation in the economic field plays an important role. A particular outcome of the standardisation effort accepted and authenticated by the pertinent competent authority is the standard. Public ownership of the means of production enables standardisation to be used as the organisational and technical basis for planned control of the economy, makes it an organisational and juridical asset, and ensures that it is planned, dynamic and comprehensive. The system of standards adopted in the USSR is a complex of interconnected standards divided into four categories: state (GOST), branch (OST), republican (RST), enterprise (STP) standards. This structure helps identify zones of responsibility to be borne by different organisations, and make them more accountable in matters of elaborating and introducing standards. Regular revisions of standards make it possible for them to incorporate the latest achievements of science and technology, and set qualitative indicators according to the capability and requirements of producers. Of special importance among measures to increase the scientific and technological level of standards is the revision of stan-

dards for machinery and equipment. Among other qualitative characteristics, the revised standards include requirements that reduce the weight of the manufactures, and cut operational fuel and energy consumption, as well as standardise their parts, assemblies and instrumentation. There is also emphasis on intensifying further complex standardisation, which serves the purpose of elaborating and introducing balanced requirements for the technical level and quality of the finished product, raw and other materials, accessories, machinery, production techniques, etc.

State Budget of the USSR, the basic financial plan for the formation and utilisation of the national monetary fund in the Soviet Union. It is compiled on the basis of the plan for the economic and social development of the USSR, and acquires the force of law once it has been approved by the higher bodies of state authority. The state budget must provide the financial resources for the balanced development of the Soviet economy, for the maintenance of state administrative bodies, for developing science, culture and education, for raising the working people's living standards, and for building up the country's defence capacity. The state budget is the principal centralised fund of monetary means: through it, over half the country's national income is distributed and redistributed among the spheres of material and non-material production, the state and the cooperative-and-collective-farm sectors and the people, and among the industries, republics and economic regions. In the process, control is effected over the economic and financial activities of the industries, associations and enterprises. The principal sources of revenue of the USSR State Budget are: turnover tax, deductions from the profits of state enterprises and organisations (see *Profit of Socialist Enterprises*), income tax collected from cooperatives, collective farms, enterprises and public organisations, internal state loans, and state social security funds. Personal taxes comprise a negligible part of the revenue. Under the new conditions of planning and

economic stimulation of production, several novel forms of payments from profits have been introduced, such as payments for the funds, fixed payments and instalments of the free remainder of profit. This makes it possible to draw more extensively on the enterprises' investments, more often apply credit when providing means for centralised investments, and utilise *production assets* and *circulating assets* more effectively. In conformity with the Constitution of the USSR, the Budget of the USSR is drafted and approved by the higher bodies of state legislative authority and administration, which are also responsible for approving the report on its execution, for guidance of the uniform monetary and credit system, for setting taxes and fixing revenues going into the State Budget, and for defining the policy of prices and of remuneration for work. The Soviet budgetary system combines the budget of state social security; the Union budget; the budgets of the Union and Autonomous republics; the local, regional (territorial), district, area and city budgets; the budgets of cities of republican subordination; and those of workers' settlements and rural Soviets. The State Budget of the USSR, like the budgets of the other socialist countries, has no deficit and is used to meet the requirements of expanded socialist reproduction, ensure steadily rising living standards for all, and is a solid base for the country's security and defence capacity.

State Capitalism, participation by the state in the capitalist forms of the economy. The essence of state capitalism is determined by the class nature of the state, the concrete historical situation, and specific features of the economy of the country concerned. One of the definitive elements of state capitalism in bourgeois society is *state capitalist property*, which emerges under pre-monopoly capitalism as a result of the building of new enterprises, mainly in the military industries financed by state budget. State capitalist property is expanded through the nationalisation of certain industries and entire sectors that are usually unprofitable;

thus the bourgeois state acts in the interest of the capitalists. There is also mixed property in the form of "mixed associations", which are the result of the state buying shares of private capitalist companies and investing state funds in enterprises owned by private firms. In the imperialist countries state capitalism assumes the character of *state-monopoly capitalism*. In countries which have won independence following the collapse of the imperialist colonial system, state capitalism is a major way enabling the state to actively intervene in the economy and change the economic structure formed in the period of colonial or semi-colonial dependence. If progressive and democratic elements are at the helm of the state, it serves to combat foreign capital, undermine the economic foundations of foreign economic domination, and consolidate and develop the national economy, and in this way create the economic conditions necessary for these countries to embark on the *non-capitalist path of development*. State capitalism also exists during the *period of transition from capitalism to socialism* as a special way of subjugating the activities of capitalist enterprises to the dictatorship of the proletariat in order to prepare conditions for the socialisation of production on a socialist foundation. In the USSR state capitalism existed, but was not widespread, in the transition period; its major forms were the leasing of state-owned enterprises to capitalists, and *concessions*. It was also used in the transition period by other socialist countries as a way of transforming capitalist property into socialist property. From state purchases of products at fixed prices to agreements on processing at capitalist enterprises of raw materials supplied by state organisations and overall purchases of the products by the state and to mixed state and private enterprises — these are the ways by which private capitalist enterprises are transformed via state capitalism. In mixed enterprises, all means of production are virtually in the hands of the state. Former capitalists are entitled, for a certain period of time, to a share of the surplus product in the form of a definite percentage of

the estimated value of their socialised property.

State Capitalist Property, economic relations involving the bourgeois state's total or partial ownership of economic enterprises. It emerges as a result of state construction financed from the national budget and the nationalisation of private enterprises (see *Nationalisation, Capitalist*). State capitalist property appeared under pre-monopoly capitalism, when the state launched its first steps to regulate the economy. At that stage, capitalist governments began to build and buy enterprises, particularly in the infrastructure, whose operation was essential for the country's economy but unprofitable for private capital to run. Under monopoly capitalism, the amount of state capitalist property and its share in the nation's wealth have markedly increased. In certain countries (France, Great Britain, Italy, Austria) this was largely the result of capitalist nationalisation, while in others (the FRG, the Netherlands, Sweden, Japan, and the USA) it was achieved exclusively through state construction and by buying *controlling block of shares* of private companies, which found themselves on the brink of bankruptcy. The amount of state capitalist property differs from country to country: in France, for instance, the state owns over a third of the stocks of industrial and transport firms, while in Britain, the figure is only about a quarter. Much of state capitalist property is comprised of enterprises involved in the infrastructure, most of which are unprofitable (e.g., railways and motor roads, the post and telegraph services); the state finances these enterprises' construction and maintenance, thus creating conditions for multiplying monopoly profits. Another area of state capitalist property is the state enterprises in raw material and energy industries, where large investments are needed and the turnover of capital is slow. Some countries are developing the newest industries, such as nuclear power, within the context of state property. Part of state property consists of shares of mixed private and state companies. Profits from

state enterprises are usually lower than those of private ones, because the bourgeois state maintains low prices for the products and services of the state sector, and monopolies benefit by this policy. Bourgeois governments are extensively utilising state capitalist property in their economic policies. For example, if conditions become complicated and private capital reduces investments, the state usually increases its own investments, thus trying to prevent a crisis. State capitalist property is also instrumental in state structural policies: new state enterprises are often built in those industries or regions with an insufficient influx of private capital. State capitalist property has become a channel through which the national income is redistributed, and an instrument of the *state (government) regulation of the capitalist economy*. National income is also redistributed to the advantage of the monopolies through the setting of low prices for raw materials and electricity, and low tariffs for state transport operations. Small consumers pay far more than large consumers for commodities produced and services provided by state enterprises. At the same time, state enterprises pay monopoly prices for the commodities and services they buy from private enterprises. State capitalist property gives rise to sharp political struggles. The monopoly bourgeoisie's attitude to it is contradictory: on the one hand, representatives of finance capital are interested in the state paying them huge sums of money in compensation for unprofitable enterprises and industries, re-equipping and maintaining them through national budget financing; on the other, however, the growth of state property threatens the very existence of private property, for it graphically shows that not only individual enterprises, but entire groups of industries can function without capitalists. The attempts by the monopolies to repatriate the most profitable state enterprises and increasingly use state property for their own selfish interest are opposed by democratic-thinking people. The communist and workers' parties allied with other progressive forces are doing a great deal to extend state property by nationalising

key industries, introducing democratic management of the nationalised enterprises, and using them to tackle vital economic problems.

State (Government) Economic Programming under Capitalism, medium- and long-term regulation of capitalist reproduction to stabilise the rates of growth, alleviate structural disproportions, and ease social tensions. It is the highest form of *state (government) regulation of the capitalist economy*. Unlike other forms of regulation, it attempts to combine the objects, subjects, aims and means of state economic policy in a single system and for a long period. An industry, region, or national problem may become a focus of state (government) economic programming. Historically, programming evolved from individual industrial and regional to national. The major objectives of government national programmes are as follows: to smooth over the cycle, improve the economy's structure by industry and region, stimulate scientific and technical progress and train personnel, to change the balance of incomes of various population groups, and to conserve the environment. Current (anti-cycle) and structural (by industry and region) programmes play the most important role; they may be either regular or emergency. Regular medium-term national programmes are usually outlined for five years, with annual revisions, and extensions made for another year (sliding programmes). Emergency programmes are launched in critical situations, e. g. during crisis or sky-rocketing inflation, and have set time limit. Some capitalist countries have recently started to map out programmes for periods longer than five years. The elaboration of programmes is the responsibility of state institutions, which compile them and must supervise and control their implementation. Programmes are also compiled by special government agencies (e. g.— Le Commissariat général du plan — the General Commissariat for Planning — in France), and if no such agency exists, by the ministries of the economy and finance. In compiling program-

mes, the services of representatives of employers' associations, chambers of industry and commerce, and central banks are widely employed, and various commissions and councils are established, staffed by experts and agents of the largest monopolies. The development of state economic programming is a result of the far-reaching qualitative changes in the productive forces, which have heightened all the intrinsic contradictions of capitalism. Programming is an attempt to adjust modern capitalism to the requirements of the *productive forces*, which are striving "to the abolition of their quality as capital, to the practical recognition of their character as social productive forces" (F. Engels, *Anti-Dühring*, p. 335). Under private property, however, attempts of this kind can be only partially successful. Despite the growing economic role of the bourgeois state and the evolution of state economic programming, the fundamental contradictions inherent in the capitalist system of relations of production have not been eliminated. Economic crises, unemployment, inflation, the squandering of national wealth and structural imbalances are graphic testimony of this fact. Although it does tackle certain economic and social problems, capitalist programming is in no position, either today or in the future, to resolve the basic contradictions of capitalism, because these regulating activities have objective limits determined by the very nature of the capitalist system itself. Private capital subjugates its activities to state programming only if the state ensures it higher profits. Hence state economic programming under capitalism, unlike socialist planning, can only be indicative, or recommendatory. Another reason why it is limited and contradictory is that the interests of conflicting groups of monopoly capital are involved. State orders and financial stimulation within the limits of state programming diversely influence the competitive power of individual monopolies and cause those whose interests are infringed upon to resist. State programming agencies are constantly subject to pressure from different monopoly groups with clashing interests. The

restricted character of state economic programming is also manifest in its innate contradictions, involving, for example, the contradictory nature of emergency and medium-term, current and structural, regional and sectoral structural programmes. As a result — although state economic programming has a certain impact on the growth rates and structure of the economy, easing some of the contradictions typical of the capitalist mode of production — it is unable to overcome its basic contradictions or free capitalism of its intrinsic vices. Progressive forces led by the communist parties in the capitalist countries are working to introduce democratic elements into state economic programming and turn it from an instrument promoting the interests of finance capital into a way of dealing with social and economic problems in the interests of the working people.

State-Monopoly Capitalism, monopoly capitalism featuring the combining of the strength of capitalist monopolies with that of the state into a single mechanism. The objective is to ensure monopoly super-profits, consolidate and expand the domination of *finance capital*, suppress the working-class and democratic movements and the national liberation struggle of the oppressed peoples, as well as to wage economic, political and ideological struggle against the world socialist system and conduct aggressive foreign policies. The emergence and evolution of state-monopoly capitalism becomes possible when monopoly domination is established in key industries of the economy. Its development is accelerated by the heightening of all the contradictions of capitalism, and of the *basic contradiction of capitalism* in the first instance (see *General Crisis of Capitalism*). The social character of production in the capitalist countries deepens under contemporary conditions, so that national long-term policies for the rates and proportions of growth, for the sectoral and regional economic structure, for the development of scientific research, for the system of education and health services, and for social security and environmental protection become necessary.

As society develops, dealing with the tasks involved, it invariably collides with the narrow boundaries established by private property, which is testified to by cyclic and structural crises, unemployment and the anxiety of the working people about the future, the overproduction of capital, and lack of investment in major spheres of the economy. One manifestation of the fact that capitalist contradictions are heightening is the struggle waged by the newly-free countries for economic independence, the intensification of the inter-imperialist struggle and the disruption of international economic ties. Combining its own strength with that of the bourgeois state, and instituting *state (government) regulation of the capitalist economy*, finance capital tries to resolve the above contradictions within the framework of the existing system. The level of development of state-monopoly capitalism is determined by the share of the national income redistributed by the bourgeois state, by the role of the state sector in the economy (see *State Capitalist Property*), and by the extent to which various forms of state regulation of the capitalist economy are utilised. Some of the key elements of the merger of monopolies and the state are as follows: *personal union* between finance capital and governmental institutions; bribing of government officials; activities of bourgeois political parties, which are in fact funded by the monopolies, etc. However, it is the activities of entrepreneurs' unions (see *Industrial and Trade Associations*) that are crucial in the combining of the monopoly and state apparatuses. As it implements measures to regulate the economy, the bourgeois state pays primary attention to the general interests of finance capital. Against this background, a fierce struggle is being waged among monopoly groups for privileged influence over certain links of the state machinery and using these links to promote their own selfish interests at the expense of other monopolies. National income is redistributed chiefly in the interests of the monopoly bourgeoisie through the state sector of the economy. The state grants certain privileges to the monopolies,

exempts them from paying taxes on a considerable part of their profits, and sanctions the premature depreciation write-off of fixed capital. As a result, it is the working people who have to bear the main burden of taxes, both direct and indirect, and who suffer from rising prices caused in particular by the excessive amount of currency put into circulation. The money extorted from the people as taxes, social security contributions and loans, and that received as a result of additional emissions or accumulated in the state sector, is passed along to private capital through preferential credits, investment grants, state subsidies, etc., the provision of commodities and services by state enterprises at a discount, and receipts for government orders and state purchases. Especially large and constantly increasing budget allocations are annually spent on military purchases and contracts. The *military industrial complex*, which is exerting a constantly growing influence on the domestic and foreign policies of the capitalist countries, has been expanding. In recent decades supranational regulation has increased, in the form of inter-governmental agreements and the establishment of inter-governmental bodies in trade, credit, monetary relations, transport and research financing. The higher form of supranational state-monopoly regulation is capitalist economic integration (see *Integration, Economic Capitalist*). Today, economic life is becoming increasingly internationalised, and the influence of the international monopolies more pronounced; the entire system of state-monopoly regulation, its supranational form included, has plunged into crisis. State-monopoly capitalism is an extremely contradictory phenomenon. First, it emerged as a result of the heightening of capitalist contradictions and the system's inability to resolve its problems by the means at its disposal. Second, it is an attempt to stabilise this system, to inject new vital strength into it; however, this is done by increasing exploitation, and that causes a fresh aggravation of the basic contradiction of capitalism. Third, the development of state-monopoly capitalism brings the socialisation of pro-

duction to a level unprecedented under capitalism, and results in the emergence of certain elements of centralised economic management. Thus, the material prerequisite of socialism is created; the substitution of socialist relations of production for capitalist becomes increasingly urgent.

State-Monopoly Complexes, an organisational form of *state-monopoly capitalism* used by the imperialists in their attempt to adapt to the requirements of the scientific and technological revolution in the context of the struggle between the two systems. Its main feature is joint activities by state capital and monopolies oriented towards the state market. State-monopoly complexes involve key industries of the economy, first of all those connected with the militarisation of the capitalist economy. Today in the imperialist powers there are military industrial (see *Military Industrial Complex*), nuclear power, aerospace and similar complexes; they are most extensive in the USA. The state is represented in the form of various departments, as well as production, scientific and other enterprises and institutions. State-monopoly complexes vividly manifest a highly contradictory combination of the capitalist element and the centralised principle introduced by the state. While the capitalist state tries to develop certain industries in the economic and political interest of the entire ruling class, the monopolies, which are part of the complexes, are interested primarily in their own profits. The complexes provide the highest profits for their member-corporations chiefly by charging exorbitant prices for products ordered by the state.

State (Government) Regulation of the Capitalist Economy, the system of economic and political measures taken by the state in the interest of private capital. It began to emerge at the pre-monopoly stage of capitalism, when it became clear that many economic problems and contradictions could not be resolved within the context of free competition. Under pre-monopoly capitalism, state regulation essen-

tially amounted to creating external conditions for private capital to function at a profit. At that period the bourgeois state pursued an active foreign economic policy, and helped establish the *infrastructure* and develop the military industries. State economic regulation was given a fresh impetus under monopoly capitalism when internal and external contradictions sharpened. It has become state-monopoly regulation of the economy, and is now used to strengthen and consolidate the domination of finance capital and the leading monopoly groups. Without it, the modern capitalist economy could not operate. Practically all spheres of the economic life of capitalist countries are drawn into its orbit, as well as foreign economic relations. Alongside the overall objective of state-monopoly regulation — to consolidate the domination of finance capital — there are also many concrete objectives which become of greater or lesser priority depending on the acuteness of the contradictions and any other difficulties the capitalist economy is facing at the given moment. Among them are the stimulation of economic growth, problems of jobs, improving the balance of payments, the fight against inflation, modernisation of the economic structure, etc. The main areas where state-monopoly regulation is instituted include the cycle of production, the sectoral and territorial structure of the economy, scientific and technical progress, foreign economic ties, and social relations. Anti-cyclic regulation largely consists of curtailing the growth of capital investment and production when the economy is expanding, and trying to prevent the overaccumulation of capital and the overproduction of commodities in order to reduce the gravity and length of the period of falls in production, investments and employment during the impending crisis. State agencies stimulate the demand for commodities and services and the growth of investment and employment during crisis and recession. Additional financial stimuli are created to stimulate the economic activities of private capital, and state investments are increased. State-monopoly regulation of the sectoral and territorial structure is also carried out with the help of financial stimuli and

state investments, which ensure more favourable conditions for certain industries and regions and encourage their accelerated development. State regulation agencies also try to interest private monopolies in the promotion of scientific research and application of its results, in the export of commodities, capital, and scientific and technical information. The material base on which state-monopoly regulation is founded is comprised of part of the national income which is redistributed via the state budget and used to satisfy the requirements of the economy, and the state economic sector. State-monopoly economic regulation is implemented through administrative, credit and monetary levers, and the policies carried out in the state sector of the economy. Credit and monetary levers imply the regulation of interest rate, minimum bank reserves, and certain measures on the stock market. The state draws on these levers to modify the balance between the supply and demand of money in a preset direction. Budgetary levers consist of taxes, the state-sanctioned premature depreciation write-off of fixed capital, and the granting of state credits, subsidies and guarantees. The state uses these to either increase or decrease the financial stimulation of private capital investments, scientific research, and the export of commodities and capital. State regulation agencies actively influence demand via government capital investments, as well as via state purchases and contracts, drawing on the budget funds. Military purchases and construction contracts are of special importance. The state usually invests in those industries where private capital is hesitant. State purchases and contracts enrich monopolies and modify the economic structure, as the state pays exorbitant prices. Government military orders warp the economy of the capitalist countries. Due to them, the tax-paying public is robbed by the military industrial monopolies, while capital and labour are diverted from productive uses; the emergence and development of the *military industrial complex* is the major result. The most widely used instrument of state-monopoly regulation of the economy is *state (government) economic programming under capitalism*.

The opportunities to regulate the capitalist economy by the state are restricted, first, by the basic economic law of capitalism, under which private owners make economic decisions in the interest of higher profits, and not in the interest of state regulation; second, by the amount of money at the disposal of the state; third, by the scale of mass struggle against the redistribution of national income by the state to the advantage of private capital. Some of the current major factors restricting the effect of national forms of state-monopoly regulation are the growing interdependence of the capitalist countries' economies, and the activities of the transnationals. The system of state-monopoly regulation cannot resolve the most urgent problems modern capitalism faces, in particular those linked to inflation and unemployment, which testifies to the fact that this system is in crisis. Another testimony to the same fact is the gravity of the economic crisis of 1974-75, and the new slump in production in 1980. It is becoming increasingly evident that state regulation of the capitalist economy is a highly contradictory phenomenon. While instituting measures to curb inflation, the bourgeois governments promote the stagnation of production, and hence unemployment; while trying to limit declines in production during crisis, they fuel inflation. The constant upheavals in the economies of the capitalist countries prove that state regulation of production is intrinsically alien to the private capitalist system, and that the modern productive forces require new relations of production founded on public ownership of the means of production.

State Sector of the Economy of the Developing Countries, state-owned sector of the economy (enterprises in industry, agriculture, trade, transport, banks, etc.). In the countries developing along capitalist lines, it is a form of *state capitalism*, while in the socialist-oriented countries it gradually assumes new social and economic content, including an anti-capitalist trend. The first historical stage of the formation of the state sector is the transfer of the property which belonged to the form-

er colonial administration into the hands of the national governments. After that, the formation of the state sector may proceed in one of the two ways: either via the nationalisation of already existing enterprises and projects, or via the construction of new state enterprises. The role of the state sector in the economy is determined by its share in the creation of the gross national product or the net production of the key sectors of the economy. The growth of the state sector in the young states is indispensable for the accelerated development of the productive forces. Its social and economic essence depends, at each consecutive stage of development, on the forces which exercise power. In the socialist-oriented countries, the state sector is an instrument for dealing with revolutionary national tasks, develops at the expense of the interests of the national bourgeoisie, and serves as the material foundation for progress. In the capitalist-oriented countries, the national bourgeoisie tries to limit the development of the state sector by encouraging those enterprises and projects that create favourable conditions for private initiative. Thus in the countries developing along the capitalist road, the evolution of the state sector is aimed at consolidating the positions of private enterprise; within it, large-scale production is concentrated, which is based on advanced technology and is instrumental in industrialisation, creating structural changes in the economy and establishing internal economic links. The state sector is a more progressive form of development of the productive forces than the private capitalist sector, and is objectively characterised by an anti-imperialist thrust. That is why all progressive forces in the newly-free countries are concerned with the growth and consolidation of the state sector. In the construction of the state sector enterprises in the developing countries, a fundamentally important fact is their cooperation with the Soviet Union and the other countries of the socialist community. Most of the credit and technical assistance provided by the socialist countries for the young independent states goes to their state sector.

State Socialist Property (Belonging to all the People), the principal, leading form of socialist property. The essence of state property is that all members of society are related to one another as joint owners of the means of production, i. e., the means of production are socialised on the scale of the entire economy. Having the means of production owned by individual collectives of enterprises would have amounted to the establishment of group ownership, which is incompatible with socialism. State socialist property radically differs from *state capitalist property* and from state-monopoly property, which are specific forms of private capitalist ownership of the means of production, and which express relations involved in the exploitation of the working people. State socialist property emerges as a result of the socialist revolution and the nationalisation (in diverse forms) of capitalist and landowner property; it evolves, is multiplied and improved in the course of socialist expanded reproduction (see *Reproduction, Socialist*). In the USSR, the land, its minerals, waters, and forests are the exclusive property of the state, which also owns the basic means of production in industry, construction and agriculture; means of transport and communication; the banks; the property of state-run trade organisations and public utilities, and other state-run undertakings; most urban housing; and other property necessary for state purposes. The state also owns many scientific research and cultural institutes. In the USSR, about 90 per cent of the *fixed production assets* are owned by the state. The labour and the very existence of the working class, which is the leading force of socialist society, are directly linked with this form of socialist property. State socialist property determines the development and improvement of the entire system of socialist *relations of production* including *collective farm-and-cooperative property*. In a developed socialist society, the scale of production in the state sector of the economy constantly grows, and its social character is enhanced. Advances in science and technology invariably lead to greater *concentration and centralisation of production*, while specialisation and cooperation

of production at enterprises owned by the whole people are intensified, and its social character enhanced. In the collective farm and cooperative sector as well new forms of interdepartmental links are emerging, founded on a combination of the two forms of socialist property. The rate and scale of growth of all sectors of the economy, the advance of science and culture, and the people's higher living standards depend primarily on the level of development of the state sector of production. The existence of state enterprises (those owned by the whole people) is rooted in state property. Everything state enterprises produce is at the exclusive disposal of society as a whole, and is distributed and sold by state agencies according to plan and at prices fixed in a centralised manner. State enterprises are managed according to the principle of democratic centralism (see *Democratic Centralism in Economic Management*), *one-man management* and *cost accounting*. Directors of enterprises are selected by the state organs and are the state's authorised agents vested with responsibility for fulfilling the plans and for the results of economic activities. Remuneration for the labour of workers at state enterprises is regulated in conformity with standards established by the state and is paid from the national fund. Social, primarily state (that of the whole people) ownership of the means of production is the foundation of socialism and the main source of its advancement. With the consolidation of social ownership, the working people are becoming aware of their position as the supreme owners of social wealth; they are turning into zealous collective masters of production; the socialist way of life is striking deep roots with collectivist conscience and behaviour emerging; the organisation level is becoming higher; a business-like approach to matters at hand and discipline in state planning and labour are being consolidated; the vestiges of individualism are being eradicated and all attempts to thrive at the expense of other people and society as a whole are being consistently checked. State property (belonging to all the people) is crucial to the evolution of socialist relations of produc-

tion into communist relations of production, to the gradual rapprochement between the diverse forms of socialist property, and to the creation of a single form of communist property.

Stock (Share), a security testifying to the investment of a certain sum of money in the capital of a *joint-stock company* and giving its holder the right to an annual income — *dividend*, i. e., interest paid on each share — out of the profit of a given company. The profits are distributed among the shareholders in proportion to the capital invested by each, i. e. the number of shares bought. A shareholder has no right to demand the return of his capital, but he can sell his shares on the securities market — the *stock exchange*. The sum designated on the share is its face value. Its actual selling price is called the rate of exchange; as a rule, it does not coincide with face value. To sell a share means to sell the right to derive income. The rate of exchange is directly proportional to the size of the dividend and inversely proportional to the loan *interest*. The political and economic situation can affect the rate of exchange. The latter's instability provides an opportunity for stock-exchange speculations. Through machinations that artificially cause a rise or drop in the rate of exchange, big shareholders wax richer, while small ones lose their poor savings. It is a well known historical fact that, through an enormous political and financial manoeuvre, the Morgan Bank cleared \$1,500 million in profits in a single week, thereby ruining innumerable small and medium shareholders. Shares are divided into ordinary (common stock) and preference (preferred stock) ones. The former give their holder the right to participate in the general meeting of shareholders and receive an income depending on the profit of the joint-stock company. The latter give the stockholder a right to a fixed percentage of the company's profits, the size of which is established in advance. The sum to be paid to the holders of preference shares is deducted from the part of the profits to be divided among the stockholders, and the rest is split among

the holders of ordinary shares. As distinct from ordinary shares, the cost of preference shares is paid off by the joint-stock company after the expiry of a certain period of time. In a number of countries, however, they do not give the right to vote on decisions.

Structure, Economic, a sector of a country's economy represented by a specific type of economy based on a certain form of ownership of the means of production and the *relations of production* corresponding to it, and coexisting with other forms of economy. It is characteristic of other types of capitalism's economic structure to exist alongside the dominant capitalist mode of production. These include the peasant economy and small commodity production, based on personal labour, which are left over from the past to continue their existence in bourgeois society. In a number of capitalist countries there are vestiges of feudal relations and even elements of the slave form of labour in the economy. The developing young states typically have a multistructural economy with a substantial proportion of feudal and semi-feudal relations, vestiges of primitive communal economy and *patriarchal economy*. In the developing countries that have chosen a *non-capitalist path of development*, the public sector assumes an increasing role in the economy, wide use is made of the state capitalist sector, and cooperative forms of agricultural production develop. The number of economic structures and their share in the economy of a given country depend on the level of socio-economic development and specific structure of its national economy. In the *period of transition from capitalism to socialism*, the economy remains multistructural for quite a considerable time. This period is characterised by the presence of three basic economic structures — the socialist, small commodity and capitalist. There are social classes corresponding to these: the working class, the petty bourgeoisie (mainly peasantry), and the bourgeoisie. Patriarchal and state capitalist structures may also still survive. The leading and decisive role in the economy during the transition period is played

by the socialist structure, based on state power, embracing the main means of production in the form of property of the whole people, and developing according to the economic laws of socialism, which begin to operate when it emerges. The socialist structure is formed as a result of a socialist revolution through nationalisation of big capitalist enterprises and the construction of new state-owned ones. The patriarchal (subsistence) economy and small commodity production are inherited by the proletarian state from the bourgeois system. During the period of transition, these structures are decisively influenced by the socialist structure; until they are gradually transformed on socialist principles, the state makes temporary use of them to strengthen the economic positions of socialism. The private capitalist structure is eliminated in the struggle with the socialist one according to the principle of "who will triumph over whom". The state capitalist economic structure, based on a combination of two opposing forms of property (state socialist and private capitalist) is formed during the transition period in order to promote the development of the country's economy and is permitted by the state, under its control and regulation restricting the capitalist tendencies within this structure. *State capitalism* assists in the transformation of enterprises belonging to small and middle capitalists. As socialism gains in strength and develops, state capitalism changes and its enterprises become socialist ones. During the building of socialism, the socialist structure becomes totally dominant in both town and country, in industry, agriculture, trade and all other sectors of the national economy.

Subject Matter of Political Economy, see Political Economy.

Subsistence (Natural) Economy, a type of economy in which products are produced for internal consumption. "Under natural economy, society consisted of a mass of homogeneous economic units (patriarchal peasant families, primitive village communities, feudal manors), and each such unit engaged in all forms of economic activity,

from the acquisition of various kinds of raw material to their final preparation for consumption" (V. I. Lenin, *Collected Works*, Vol. 3, pp. 37-38). In a subsistence economy, production is closed, limited, traditional and dissociated in character, stagnant technology is used and development is slow. The subsistence form of production prevailed in pre-capitalist formations. This is explained by the relatively undeveloped *productive forces* and *social division of labour*, the dominant position of agriculture and the direct consumption character of production. As the productive forces developed, the subsistence economy was pushed out by *commodity production*, based on a social division of labour, which created the conditions for a swifter growth of its productivity and for the application of better tools. Although capitalism is a form of commodity production, elements of the subsistence economy survive, particularly in the countryside. In many developing countries, subsistence forms of economy make up a considerable part of the national economy as a whole and, in some of them, it is still the prevailing form.

Supply and Demand, categories of *commodity production*. Demand is a social requirement expressed in terms of money. Beyond the market, this requirement "sheds" its monetary form of demand and is realised in consumption as a definite use value. The volume of demand depends primarily on the people's monetary income and the sums allocated by the producers to acquire the *means of production*. Supply identifies production that has assumed the form of commodities. Supply is generally understood as the goods which can be offered on the market. Supply shapes demand by offering a certain range of goods produced, and by their price. Demand, in turn, determines the volume and structure of commodity supply, since only what is accepted for consumption is reproduced. Under capitalism the supply-to-demand relations are an indication of the direction and sphere of the most profitable capital investment. The capital flows to the industries whose products are so greatly in demand that it exceeds the supply, and

respectively *price exceeds value*. There is the objective possibility under socialism of planning a stable balance between supply and demand. The volume of production, and therefore, the supply of goods, are determined in the country's economic plan. Through the planned balance of the income and expenditure, the socialist state adjusts the volume of effective demand by establishing the assortment of products and their prices, and shapes its structure. A vast programme of social development and of raising living standards stimulates an increase in the total volume of supply and demand, and progressive structural changes in consumption patterns.

Surplus Labour, labour expended by the worker in material production during *surplus working time* to create the *surplus product*. It is a result of increasing social labour productivity, which at a certain stage in the development of human society makes it possible to put out more products than are necessary for the existence of the worker and his family. In exploiter societies, it is used for enriching the exploiting classes. Under the slave-owning system, the slaves worked almost exclusively to satisfy the needs of the slave-owners. Under the feudal system, there is a strict division of the peasant's labour into *necessary labour*, which he expended on his own farm, and surplus labour which he expended on the landlord's farm and which was appropriated by the landlord. The division of labour into necessary and surplus under capitalism is outwardly disguised in the form of wages which appear as remuneration for the worker's entire labour. In fact, however, the worker is only remunerated in the form of wages for that part of the value of a commodity which has been created by his necessary labour, while his surplus labour is appropriated by the capitalist without remuneration. Under modern capitalism, the amount of surplus labour considerably exceeds that of necessary labour. In the pursuit of profit, the capitalists do everything they can to increase the share of the surplus labour they appropriate, thereby curtailing necessary labour and lowering workers' living stan-

dards, which is expressed in the growing exploitation. "Surplus-labour in general, as labour performed over and above the given requirements, must always remain" (Karl Marx, *Capital*, Vol. III, p. 819). Surplus labour also exists under socialism. But here it is the labour expended to create material benefits used to satisfy the growing social requirements of all the people (continuous growth and improvement of production, insurance and reserve funds, and meeting requirements of workers in the non-productive sphere). This labour does not express relations of exploitation, since socialist society has abolished *exploitation of man by man* and employs all the labour that workers perform in production, both necessary and surplus, in the interests of the working people themselves. Under socialism there is therefore a dialectical connection between necessary and surplus labour: by ensuring the steady growth of socialist production surplus labour creates conditions for increasing the necessary product, and this in turn helps to restore more fully the workers' vital powers and provides for their all-round development, which results in the further growth of surplus product and the development of production as a whole.

Surplus Product, totality of material benefits created in the production and service sectors over and above the *necessary product*. Historically, the division of labour and respectively of the product it created into two parts — necessary and surplus — became possible when the level of labour productivity made it possible to produce more material benefits than the amount necessary for maintaining the existence of the worker and his family. The formation of the surplus product was an important condition for the appearance of private ownership of the means of production (see *Ownership*), which formed the material basis for the class stratification of society and the exploitation of man by man. Under commodity production surplus product has a physical-material form (means of production and articles of consumption) and a value (monetary) form. The surplus product exists in various *socio-economic*

formations, but the social nature of its production and appropriation radically differs in antagonistic class societies and in socialist society. Under all exploiting formations, the surplus product is appropriated by the owners of the means of production and serves as the source of their enrichment and parasitic existence. Only the methods of appropriating the surplus product change. Under capitalism, the value of the surplus product, which forms part of the value of a commodity, is appropriated without remuneration by the capitalists, and is specifically expressed as *surplus value*. Under socialism the surplus product is used to satisfy the social requirements and to ensure expanded production and the functioning of the non-material sphere, and is therefore as indispensable as the necessary product. From this viewpoint, both the entire aggregate product and the producers' work are necessary. The division of productive labour into necessary and surplus reflects the distribution of the aggregate product in the interest of all members of society. The categories of necessary and surplus product exist both in the state and collective farm-and-cooperative sectors of the economy. The surplus product created in the state sector is used to satisfy the requirements of society as a whole. The surplus product created by cooperative members (collective farmers) forms the social funds of cooperatives, collective farms and centralised state funds, and is the source of expanding production and meeting other social needs.

Surplus Value, *value* created by the wage worker's labour over and above the value of his labour power and appropriated by the capitalist without remuneration. The production and appropriation of surplus value express the basic relations of production under the capitalist mode of production and the *basic economic law of capitalism*. By revealing the essence of the economic category of labour power as a commodity, Marx disclosed the real source of the formation of surplus value, exposing the nature of capitalist exploitation that is hidden behind commodity relations. When he decides to produce some-

thing, the capitalist spends a certain amount of money to purchase *means of production* and *labour power* for the sole purpose of receiving a sum over and above the amount of money initially advanced, i. e., surplus value. The means of production (*constant capital*) cannot be the source of surplus value, since they do not produce any new value, but merely transfer their own value to the newly created product. By contrast, the commodity "labour power" is able, in the process of its consumption, i. e., in the process of labour, to create new value, which is greater than its own cost. The capitalist achieves this by making the worker work more than the time necessary to reproduce the value of his labour power. Thus the wage worker's labour is the only source of surplus value. More surplus value is created through deriving *absolute surplus value* and producing *relative surplus value*. Both of these methods tend to increase the *rate of surplus value* which indicates the degree to which workers are exploited. Capitalists try to constantly expand production by utilising for this purpose the surplus value created by workers. The expansion of production accompanied by an increase in the number of wage workers, and the growing rate of exploitation enable the capitalist class to appropriate the growing amounts of surplus value. The *accumulation of capital* increases the wealth of the capitalist class and intensifies the exploitation of the working class and worsens its position (see *General Law of Capitalist Accumulation*). In the process of its realisation and distribution surplus value falls into *profit* derived by industrialists and merchants, interest, which is appropriated by bankers, and *ground rent* obtained by landowners. Marx worked out a scientific theory of surplus value in which he profoundly analysed the class relations in bourgeois society and disclosed the economic basis of the antagonism between the proletariat and all the exploiting classes in that society. Lenin called the theory of surplus value the cornerstone of Marx's economic theory. The development of capitalism, whose principal motive force is the lust for profit and the extraction of surplus value, inevitably ag-

gravates the *basic contradiction of capitalism*, that between the social character of production and the private capitalist form of appropriation of the results of labour, leading to the heightening of class contradictions and, as the logical consequence of that, to the inevitable revolutionary replacement of capitalism by a new, progressive system — socialism.

Surplus Working Time, under capitalism, part of the working day during which a worker creates *surplus value* appropriated by the capitalist. The labour expended during that time is called *surplus labour*. In the quest for surplus value, the capitalists try to increase surplus working time. This is done in two ways: (1) by an absolute increase in the working hours over and above the *necessary working time*, and (2) by reducing the necessary working time, and correspondingly increasing the surplus working time. These methods express two ways of intensifying the workers' exploitation and exacerbate the *class struggle* in capitalist society. Under socialism, surplus working time is the time during which a worker in socialist production creates the *surplus product* which is used to ensure a constant increase and improve socialist production, to form the insurance and reserve funds, and to meet the requirements of the working people in non-material production; the labour expended during this period is surplus labour. Under socialism there is no *exploitation of man by man*, and all working time during the working day, both necessary and surplus, benefits the working people themselves. There is therefore no antagonism between necessary and surplus working time. At each stage of development, socialist society determines the amount of necessary and surplus working time in a planned way, taking into account the achieved level of the *productive forces*, the people's material and cultural requirements, the domestic and international situation, and other objective factors.

Syndicate, a form of monopoly association in the period of imperialism, which combines enterprises mass-producing sim-

ilar products. The syndicate members remain owners of their *means of production*, while the product manufactured is sold as the property of the association. Marketing, and infrequently, the acquisition of raw materials, are handled by the syndicate office which collects the commodities from the syndicate members at a fixed price. The office, therefore, functions as an intermediate link between production and the market, thus breaking their direct contact. The purpose of the syndicate, just like any other form of monopoly

association, is to extract maximum monopoly profits, and acquire greater competitive strength. The extensive spread of syndicates featured the first half of the 20th century, especially in Germany and France; in pre-revolutionary Russia, certain syndicates controlled up to 90 per cent of the commodities produced by their respective industries. Syndicates were also used by employers as a form of capitalist class organisation in the struggle against proletariat. Currently this form is not widespread.

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Tariff Part of Wages, the bulk of the payment to workers in socialist state enterprises. For workers, it is payment for their labour according to the wage rate (see *Tariff System under Socialism*), for engineers, technicians and office employees — in accordance with their salary rates. Wages rates and salaries differ depending on the complexity, difficulty and importance of the work, as well as on workers' skills. The tariff is, therefore, payment for the work rate, reflecting most fully the differences between various kinds of work. The other part of wages includes various forms of incentive payment for high achievement compared with the fixed rates. To these belong bonuses for overfulfilling output quotas, for fulfilling more than one trade, for upgrading one's skills, for working in regions with poor economic and climatic conditions. These forms of wages boost the *labour productivity*, improve the *quality of output*, mobilise workers in fulfilling particularly important national tasks and help to attract and settle workers in regions with harsh climatic conditions. A number of measures have been taken of late to improve rates and regulate wage rating in order to make moral and material incentives more effective. This has increased the role of tariffs in the state regulation of wages. The role of wages in encouraging workers to improve their skills and attain higher work indices has increased. The income of each worker now depends closely on his or her personal share in social production. The role of bonuses, especially those from the material incentives fund (see *Economic Incentives Funds*), increases as *scientific and technical progress* gains impetus. Bonuses promote workers' initiative and are an effective mechanism for encouraging them to seek inner reserves for raising the *efficiency of social production* and improving the *quality of work*.

Tariff System under Socialism, a planned form for organising and regulating wages and salaries (see *Wages under Socialism*) depending on the worker's labour input. With the help of the tariff system the socialist state takes into account the difference between skilled and unskilled, light and heavy work, the degree of intensity and social significance of work, and on this basis determines how much should be paid for it. This is how the economic *law of distribution according to work done* and the workers' material interest in developing social production are realised. The tariff system consists of wage rate and skills handbooks, rate scales (for workers) and a system of salaries (for engineers, technicians, and office workers); wage rates and regional mark-ups to wages. In the Soviet Union, all the components of the tariff system are worked out in a centralised way. The rate and skills handbook describes jobs of all kinds as to their complexity, importance and difficulty, with mention of the category to which a particular job corresponds, as well as requirements concerning the knowledge and experience the worker must possess in order to carry out a given job. The handbook is used in rating work and assigning workers to skill categories. The scale of rates consists of tariff coefficients and tariff grades providing the basis on which the ratios of payment for work of different skills is determined. The tariff coefficient shows by how much the wage rate in a higher grade tops that of the first grade. The wage rate of the first grade determines how much is paid for carrying out a given job of the first grade. The wage rate in subsequent categories is determined by multiplying the wage rate in the first grade by the corresponding wage coefficient. Today in Soviet industry (engineering, timber, oil, wood-processing, textile, garment, footwear, food and other branches) six-grade scales are mainly used. The range between the lowest and highest rates in the manufacturing branches of heavy industry is 1 : 2, in light and the food industries — 1 : 1.8. The work of engineers, technicians and office employees is paid for on the basis of differentiated monthly salaries and

wages. Every post has a certain maximum and minimum wage bracket. This makes it possible to ensure that payment for work corresponds to its results and creates incentive to make it more efficient. Different economic and climatic conditions in the Soviet Union, the need to attract workers to sparsely populated and remote regions and settle them there calls for a differentiation of wages in different regions. This is where regional coefficients to tariff rates step in.

Taxes, compulsory payments levied by the state on the population, organisations and enterprises. The socio-economic essence of taxes, their purpose and role in the economic and political life of society are determined by the social system. In capitalist society, taxes serve as an instrument for the class domination of the bourgeoisie, the main source of income of the bourgeois state, a means of additional exploitation of the working people and enrichment of capitalists. From 75 to 90 per cent of the taxes entering the budget of the bourgeois state are taxes levied on the population, while only 10 to 25 per cent are levied on private property and capital. Taxes in the United States, Britain, West Germany and France swallow up to 25-35, and even more per cent of the income of the average worker's family. Alongside this, the bourgeois state grants privileges to the monopolies (see *Monopolies, Capitalist*) which, at the same time, conceal a considerable part of their taxable income, using commercial secret, falsification of accounts, etc. Therefore, the share of the bourgeois state's income made up of corporate taxes is steadily falling. The bourgeois state hands back to the monopolies the profits withdrawn from them as taxes by granting them huge subsidies, fat military orders, by financing research and development, etc. The monopolies have vast opportunities to include the sum of the taxes they pay in the price at which their output is sold, thus, in the final analysis, shifting the tax burden on to the consumer, i. e., the broad working population. Under imperialism, taxes spiral, playing an increasing role as a means for redistributing the national income in the interests of

monopoly capital. The tremendous resources obtained through taxation are used to step up the *militarisation of the economy* of the capitalist countries, to maintain the swelling state apparatus, and to expand the *state regulation of the capitalist economy*. Under capitalism, taxes are divided into direct and indirect. Indirect taxes are levied on the population by increasing the prices of necessities. In a socialist society, taxes are a means for planned distributing and redistributing part of the *national income* in accordance with the tasks involved in building communism. The socialist tax system differs drastically from the capitalist one. Receipts from the socialist economy, which constitute over 90 per cent of all budget resources, are the main source of revenues for the *state budget of the USSR* and those of other socialist countries. In the USSR, the state tax system includes: (1) income tax levied on cooperative enterprises and public organisations, paid from their profits; (2) income tax levied on collective farms raised from their net profit; (3) agricultural tax levied on collective farmers at fixed rates per one hundredth of a hectare held by them as a subsidiary individual plot regardless of the profits obtained from it; (4) income tax levied on the earnings of industrial and office workers, craftsmen and artisans. The tax policy of the Soviet state is directed at gradually increasing the non-taxable minimum income and expanding tax privileges.

Team Organisation of Labour, a collective form of organising and stimulating labour at the primary socialist production cell. The greater interrelation of various components of the production process, the further development of mechanisation, the introduction of large units and machines, and the growing continuity of technological processes are the objective foundation for the more extensive spread of the team organisation of labour. It presupposes: the voluntary union of the workers for joint and coordinated performance of production assignments, the manufacture of finished products or their finished parts

(article, assembly unit, set of parts, part); the development and realisation of technological, organisational and educational initiatives in order to ensure better conditions for fruitful labour; work on one order; mutual replacement and mutual assistance in various operations; control and self-control of the *quality of work*, accounting and appraisal of the results of work of the team as a whole and of each worker in it; determination of the forms and methods of material and moral incentives for the quantity and quality of work with due account of results; relations based on agreements with related teams and services. Production teams participate in decision-making on the matter of selecting their personnel, planning and organisation of their work, payment and stimulation of labour, education of their members and raising their qualification; give their consent to the management's nominee to the post of a team leader; have the right to demand that the management relieve him from his post if he has failed to justify the collective's confidence; elect their team council. The team organisation of labour has led to what is called the team contract. It is a method of economic activity based on the recoupment of the expenses and on material incentives provided to the collective for efficiently carrying out a definite amount of work or producing high-quality products on schedule. The team contract can be used in various production conditions, and it invariably ensures high economic effect. The collective wage is distributed among team members in accordance with the wage-rated skill-category and actual work time contributed. The rate of work participation is used to more fully account for the worker's contribution to the overall effort. In this case the wage is determined with due account of how a certain member of the team fulfils his work duties, whether he helps less experienced and less qualified workers or not, etc. The team is headed by the team leader, appointed from among the most experienced and qualified workers and who has a creative flair for work and enjoys the respect of his fellow workers. Teams with over 10 members have group leaders (more experienced workers) and

elect a team council at a general meeting, which guides the life of the team, drawing every worker into the management of the team. Councils of team leaders are formed for workshops or enterprises in order to spread the team organisation of labour and to exchange experience. Practice has fully confirmed the economic and social advantages of team organisation. It complies to the greatest extent with the requirements of *scientific and technical progress*, making workers interested in achieving high results with minimum outlays, encourages workers, especially young workers, to raise their qualifications, and creates conditions for personnel to stay at their enterprise. Machines and materials are used to the best of advantage; losses and unproductive expenditures of work time are reduced; labour becomes less monotonous and richer in content, and brings satisfaction to the workers. The team organisation of labour helps every worker to reveal his abilities more fully, while the role of the collective grows in cultivating a communist attitude to labour. In the 11th five-year plan period teams will be the main form of labour organisation.

Technical Composition of Capital, the ratio of the mass of the *means of production* to the number of workers operating them. It can be expressed by a number of indicators: the quantity of electricity (in kw/hrs), motor power (in HP) per worker, the amount of raw materials processed by the worker (in kg, t), etc. Means of production are the result of the *past labour* of the worker. To set them in motion, the worker has to expend *living labour*. Thus, the technical composition of capital expresses the ratio of past labour to the living labour required for using the means of production at the given level of the *productive forces* and characterises the physical composition of production. As the *social labour productivity* grows, the technical composition of capital increases, too, because every worker expends more means of labour and processes more raw materials than before. The change in the technical composition of capital leads, as

a rule, to a change in its *value composition*. The *organic composition of capital* changes too.

Tekhpromfinplan (Technical, industrial and financial plan), the main plan document determining the most important trends in the development of production, the economic and financial activity of the socialist production enterprise over the year, in accordance with the state plan for the development of the country's national economy. *Tekhpromfinplan* is designed to resolve the following tasks: developing and improving production in order to satisfy the requirements of the national economy and of the population for corresponding output more fully; comprehensively boosting the efficiency of production and *labour productivity*; extensive use of the achievements of science and technology and of advanced experience, and a shortening of the time taken to introduce them in production; the production of high-quality output, mastering the manufacture of new products, corresponding in their technical and economic indicators to the highest standards of home and foreign technology and production techniques; rational use and higher efficiency of capital investment, reduction of the time taken to bring fixed assets into operation and rational use of productive capacity; a lowering of the *cost of product* and a rise in the *profitability* of production; rational use of the means of transport; improvement of planning, management and *cost accounting*; introduction of scientific organisation of production and work; social measures within the collective; implementation of the necessary environmental protection measures and rational use of natural resources. *Tekhpromfinplan* includes the following sections: production and sale of goods; technical organisation and development of production; indicators of the growth of the economic effectiveness of production; rates; capital construction; the demand for the chief material resources; labour and personnel; the cost of production, profit and profitability of production; economic incentives funds; financial plan; the col-

lective's social development; environmental protection measures and rational use of natural resources. The sections of *tekhpromfinplan* correspond to the main sections of the five-year plan for the enterprise; thus unity of long-term and current planning is ensured. The working out of *tekhpromfinplan* demands comprehensive analysis of the results of economic activity, the discovery of production reserves, determination of specific ways to raise the efficiency of production and the *quality of work*. Initial targets and opportunities for using the reserves are thoroughly discussed at work and production meetings, at public economic analysis bureaux and in other public organisations. After it is approved, quarterly, monthly, ten-day and other plans are worked out on its basis for the production and economic activities of the enterprise's units, personal and collective plans for raising the workers' labour productivity (see *Economic Planning*; *Current Planning*).

Territorial Division of the World, a characteristic feature of imperialism, a form of colonial enslavement, oppression and exploitation of the working masses in economically less developed countries. In the 19th century, the imperialist states, despite opposition put up by the oppressed peoples, divided up the territories they had seized (see *Colonial System of Imperialism*). As a result, huge colonial empires were formed, such as British, French, Belgian, and Dutch. Somewhat later, Germany and the United States took the same path. Capitalist monopolies tried to consolidate their position by directly seizing other territories which served them as a source of cheap *labour power*, raw and other materials, markets, spheres of profitable investment, and of maximum profit-making. Exercising direct political rule in the seized countries, the imperialist states granted the monopolies aid in exploiting their wealth, cruelly suppressing their peoples' struggle against imperialism, national and racial oppression. The uneven development of capitalism in the age of imperialism (see *Law of the Uneven Economic*

and Political Development of Capitalism in the Age of Imperialism) has altered the balance of forces between the imperialist states. Certain countries that broke ahead and outstripped their rivals in their development, demanded that the already divided world be redivided in accordance with the place they now occupied. This gave rise to general and local wars for a redivision of the world between the imperialist states. Since World War II, the territories and countries that used to be under the yoke of colonial and semi-colonial oppression have, one after another, won political independence and taken a path of independent socio-economic development. The colonial imperialist system has ceased to exist. Under present-day conditions, the aggressiveness of imperialism is manifested in the policies of *neo-colonialism* and militarism. The growing forces of socialism and peace check the implementation of the imperialist aggressive plans, but the danger of a world nuclear war still exists.

Territorial-Production Complex, a form of territorial organisation of the economy; an aggregate of associations and enterprises of various branches, interlinked by common raw material sources or technology and located in the same area. Under socialist conditions, the complex is formed in a planned way on the principle of a comprehensive solution to questions of the territorial organisation of production. The working out and implementation of *comprehensive target programmes* is one of the most important methods for managing the complexes. Territorial and production complexes include enterprises in the extracting and manufacturing industries, building and transport organisations, agricultural enterprises, research institutions and also organisations and establishments in the *non-production sphere* — housing and public utilities, trade, the services, public health and education. The formation of territorial-production complexes is especially active in the Soviet Union at the stage of *developed socialism*, in connection with the formation of powerful productive forces and more mature relations

of production. Among the complexes that are being set up and developed today are the West-Siberian, Angara-Enisei, South-Yakutian, Timano-Pechora, South-Tajik, and others. An industrial and agrarian complex is being formed in the zone of the Kursk Magnetic Anomaly. The creation of such complexes considerably boosts the efficiency with which natural and other resources are used and resolves production and social problems in a coordinated way. The development of these complexes means a further uplift of the productive forces and an important line in building the *material and technical base of communism*.

Theories of Development of Newly-Free Countries, various bourgeois conceptions that have sprung up since World War II because of the disintegration of the colonial system of imperialism and the attempt to counter the increasing influence of socialist ideas in the newly-free countries. These theories try to explain, from bourgeois apologetic positions, the causes of the economic backwardness of the developing countries, and elaborate ways to overcome this through industrialisation, planning, domestic and external financing of development, etc. The most commonly held theory of the causes of "underdevelopment" is the so-called theory of vicious circles which emerged in the late 1940s, and was advocated by many economists, such as R. Nurkse, G. Balandier, and W. Krause. According to this theory, the cause of economic backwardness and the primary obstacle to overcoming it is a system of interrelated and interdependent factors (whose sources are not usually specified) which prevent the resolution of one problem without the resolution of the others. Thus low per capita income, the most important indicator of economic backwardness, is a result of low labour productivity. The latter is attributable to low living standards, and this results from low incomes. Most bourgeois economists believe that the development problem can be resolved by "breaking the vicious circles of poverty". The very widely publicised "theory of balanced growth"

(R. Nurkse, H. Leibenstein, P. Rosenstein-Rodan, and others) calls for a gradual departure from the "vicious circle" without any serious disruption of inter-sectoral proportions. Its advocates claim that to expand the market, which is narrow because of the population's low solvency, many factories producing consumer goods have to be built simultaneously. This should increase employment, and, consequently, incomes, which will result in the expansion of the market. At a later stage some factories should be built to manufacture producer goods so as to create a market for all enterprises. Scientifically, this theory is fallacious because it does not provide for any radical break up of outdated economic structures, ignores the necessity of making economic and social transformations, exaggerates the potential of the developing countries to make huge investment, etc. The theory of "unbalanced growth" (A. Hirschman, R. Dumont, F. Perroux and others) suggests concentrating investment in key industries or geographical regions to invoke a "chain reaction of growth". The inevitable disproportions would need to be straightened out at a later stage ("expanding the bottleneck"), which would ultimately result in a break out of the "vicious circle". The advocates of unbalanced growth erroneously presume that the priority development of the most promising industries must entail disproportions. The fallacy of this presumption is exposed when it is compared to the Marxist theory of reproduction, especially in the light of Lenin's contribution, in particular his "On the So-Called Market Question". Another theory, that of "external push", suggests that the push that would break the "vicious circle" should come from without. It calls for an accelerated development of traditional export industries which would attract resources for funding development, including export income, foreign investment in export-oriented industries, and taxes on profit deductions of foreign companies. The accelerated growth of traditional export is supposed to boost other industries by earning additional money for overall economic growth. The status of the devel-

oping countries as agrarian and raw material appendages of world imperialism is, however, perpetuated through this approach. In late 1960s and early 1970s the *theory of equal partnership* came to the fore which also requires the developing countries to increase exports, but provides for the establishment of certain industries to be managed by the leading Western monopolies. For all its progressive appearance, this theory is essentially colonialist. All the bourgeois theories of the development of the newly-free countries imply only the capitalist way, and ignore the need for radical social and economic change.

Theories of Economic Cycles, bourgeois theories studying the character of the development of the capitalist economy, the reasons for booms and crises and accompanying economic processes and phenomena, as well as the ways of influencing them by certain methods of regulation. Although there are frankly apologetic conceptions which maintain that crises are accidental and may not happen at all, many bourgeois theorists did say they were inevitable under capitalism. However, they explained them by reasons lying outside the sphere of capitalist production. The 19th-century petty-bourgeois economist Sismondi linked the reason for crises with insufficient popular consumption. Lenin refuted this theory in his work "A Characterisation of Economic Romanism" (*Collected Works*, Vol. 2). The Russian bourgeois economist M. Tugan-Baranovsky saw the cause of crises in credit-monetary phenomena. In the 1920s, Albert Hahn (Germany) held that crises and the cyclic nature of the economy were caused by the incorrect policy of the banks. All these theories deny the antagonistic contradictions of capitalist reproduction. *Keynesianism* and neo-Keynesianism of different shades are especially prominent in bourgeois theories of economic cycles. Keynes saw a crisis as the result of people's inclination to save money, and in the growing non-consumed part of profits, which leads to insufficient consumer goods demand. At the same time,

since capital investment becomes less profitable, the capitalists' interest in using their capital wanes. This leads to a drop in demand for producer goods. Insufficient demand obstructs the crisis-free development of the capitalist economy. According to Keynes, crises can be overcome by a purposeful state economic policy, specifically by the state influencing aggregate demand, first of all by creating conditions for increasing investment. These include: lowering real wages, providing government credits and subsidies to owners, regulating loan interest rates, and expanding non-productive consumption, including the militarisation of the economy. Keynesians try to dampen cyclic vacillations, and to preserve and strengthen the capitalist system. Before World War II several capitalist countries, particularly the United States under Franklin Roosevelt, did take anti-crisis measures based on Keynesianism as well as evolve principles of anti-cyclic policy for the postwar period. The dynamic models of neo-Keynesianism, constructed on the basis of Keynes' general methodological and theoretical conceptions, concentrated on the problems of growth of the capitalist economy. His followers, in particular Alvin Hansen, say that among the causes of the cyclic nature is the misinterpreted dependence of accumulation on increased consumption, and evolve formulas of state regulation which would counter the shortcomings of spontaneous reproduction under capitalism. The left wing of modern Keynesianism link the insufficient solvent demand of the working people, which influences the dynamics of effective demand, with inequality in the distribution of profits and with monopoly control of the economy. But representatives of this wing as well, such as the British economist Joan Robinson, think that crises can be overcome within the capitalist framework by state measures of regulation. Today, Keynesian conceptions are in a state of bankruptcy. The 1974-75 world economic crisis and the aggravation of the energy, raw materials, monetary and economic problems have revealed the inconsistency of Keynesian theoretical constructions. The measures propo-

sed to overcome crisis cycles turned out to be ineffective. So is the modern version of neoclassical theory represented by monetarism (Milton Friedman and others), which allows only one sphere of state regulation — maintenance of the stable rate of growth of the monetary supply. Marxism-Leninism proceeds from the fact that abolition of capitalist ownership and its replacement by socialist ownership corresponding to the modern character of social production can only end crises and cyclic vacillations and create the possibility for continuous expanded reproduction.

Theories of Transformation of Capitalism, bourgeois concepts to the effect that since World War II, under the impact of a number of factors capitalism has changed radically in its essence and ceased to be exploitative in character. These theories appeared at the second and third stages of the *general crisis of capitalism*, as an alternative to the emerging socialist world. They belong to the institutional-sociological trend in bourgeois political economy (see *Institutionalism*), characterised by a unification of political economy and sociology. The problems of exchange, consumption, organisation of the market and moral principles are brought to the fore. Much importance is attached to the role in the economy of such institutions as the state, big corporations, trades unions, and so on. All these theories attempt, to a greater or lesser extent, to rely on certain real processes in the development of capitalism since the last war (the change in the organisation of capitalist production, expansion of state interference in the economy, the scientific and technological revolution). By interpreting these processes in a superficial and deliberately false way, bourgeois ideologists use them to prove that capitalism has every opportunity for "self-improvement". While noting numerous changes in the modern capitalist economy and, in a number of cases, championing new "improvements", however, the theorists of "transformation" always retain (directly or in a veiled form) private capitalist property and the domination of

big monopolistic corporations in the economy. Moreover, they regard "transformed" capitalism as a system consolidating private property and the dominant positions of big capital. The theories of the "transformation of capitalism" unite different conceptions including two main trends, viz., "orthodox" and bourgeois-liberal. The "orthodox" trend is represented by modern versions of the *theory of mixed economy* and the *theory of welfare state*; the bourgeois-liberal trend, by the theory of the "new industrial society". Both trends, while on the whole continuing to defend state-monopoly capitalism, differ in the forms and methods used to do so. The "mixed economy" theorists deem it necessary to preserve and develop existing forms of state interference in the economy which are most advantageous to monopoly capital. The advocates of the "new industrial society" (above all, John K. Galbraith) criticise a number of forms of modern state-monopoly capitalism, particularly the *military industrial complex*. The two trends differ in their methodologies too. The theory of the "new industrial society" tries quite consistently to rely on the method of technological determinism, new for bourgeois political economy, while most of the "mixed economy" theorists are adherents of traditional subjective methodology. The two trends are also distinguished, to a certain extent, in their attitude to socialism. Galbraith and his supporters flirt with socialism, while the adherents of the "orthodox" trend, on the contrary, do not conceal their sharply negative attitude towards socialism. The theories of the "democratisation of capital", the "managerial revolution", "stages of growth", and "convergence of the two systems" (see *Theory of Convergence*) are among the "transformation" concepts.

Theories of Wages, Bourgeois, a system of views held by bourgeois economists on the essence and nature of wages, their level, upper and lower limits and factors determining them. Bourgeois economists interpret wages as the price of labour, or as the price of services or the product

of labour. In this way the specific nature of labour power as a commodity and the uncompensated appropriation of *surplus value* by capitalists, i. e., the exploitation of labour by capital, are camouflaged. As the *capitalist mode of production* developed, wage theories changed to reflect specific features and characteristics of the various stages in the development of capitalism and its intensifying contradictions. Under pre-monopoly capitalism, especially in its early stages, bourgeois economists sought to explain the meagre level of wages by the cost of the minimum means of subsistence indispensable for the physical existence of the workers and their families. This concept, based on Thomas Malthus' reactionary population theory (see *Malthusianism*) underlay the so-called "iron law of wages", vigorously preached by the German petty-bourgeois socialist Ferdinand Lassalle and his followers. Denouncing the reactionary essence of that "law", Marx and Engels showed that, in fact, it led to the renunciation of the revolutionary struggle of the working class, as the natural conclusion to be drawn from that law was that the poverty of the working class was caused by laws of nature rather than by the specific laws of capitalist production. A similar theory of "wage fund" was set forth by James Mill, John McCulloch and others in the second half of the 19th century. According to this theory, wages were dependent on the size of the wage fund (allegedly constant) and the number of workers, so the growth of the working population would inevitably result in a fall in wages and a rise in the latter would boost unemployment. In fact, however, as capitalism develops, both social capital and the part of it that is spent to buy labour power grow, so the "wage fund" theory conflicts with reality and, like other theories resting on the "iron law" concept, aims at disarming the working class ideologically and convincing it of the uselessness of its struggle for higher wages. The theory of marginal productivity formulated with respect to wages by British economist Alfred Marshall and American economist John Clark was most popular

in the late 19th and early 20th centuries. According to it, the level of wages is determined by the so-called marginal labour productivity, i. e., the value of the product produced by the least productive worker. The difference between the value of the aggregate product produced by all the workers and their total wages calculated on the basis of the least labour productivity of the "marginal" worker goes to the capitalist as remuneration for capital. The theory of marginal productivity is untenable because it ignores technical progress, which accounts for the fact that the involvement of additional labour power in production raises labour productivity rather than decreases it. Seeking to harmonise the theory of marginal productivity with the conditions of monopoly capitalism, today's advocates of the theory have introduced the concept of "marginal income", by which they mean the income kept by the capitalist after subtracting all the losses incurred by the output of additional products, which allegedly entails a fall in the retail prices of both additional products and those that were produced earlier but as yet remain unsold. Though current advocates of the theory still believe that the wages of the "marginal worker" should be calculated on the basis of the value of the marginal product he produces, they maintain that the value of that product should be estimated taking into account the above-mentioned fall in prices, that is to say, on the basis of the "marginal income". Hence, they claim, wages should be cut. The fundamental drawbacks of the "classic" theory of marginal productivity (in particular, the premise of the unchanging level of technological development) are also characteristic of the modern modification of this theory. The concept of marginal income is refuted by reality. While extending production, capitalists, as a rule, raise rather than lower prices, thereby augmenting their profits. Even when prices are lowered, this is usually compensated for by the growing mass of income owing to boosted production and sales. Widespread today is the collective agreement theory of wages, which proceeds from the idea that the level of

wage rates depends on the employers' demand for labour power and the workers' demand for jobs, with the concrete size of wage rates determined by the so-called force of agreement between the sides participating in collective talks — trade unions, on the one hand, and capitalist monopolies, on the other. Instead of analysing the fundamental economic factors determining the level of wages, the collective agreement theory studies certain social factors that affect fluctuations in wage rates. This aims to help capitalists and corresponding government organisations to work out a strategy and tactics for countering the demands of the working class for higher wages. Bourgeois wage theories are generally characterised by their striving to prove that the workers get their fair share of the national income, which they claim is the product of not only labour but also capital, that the level of wages is objectively conditioned and any struggle to raise it can only lead to higher prices of goods, which will adversely affect the workers themselves and other working people as buyers of these goods. Marxism-Leninism has long since refuted the pseudo-scientific theories of bourgeois economics concerning the nature of wages and the factors determining their level. The Marxist-Leninist theory of wages that forms part of Marx's doctrine of surplus value was thoroughly substantiated in *Capital*, which reveals the mystery of the value and price of labour power transformed into wages and their role as a means for intensifying the exploitation of the working class and, at the same time, for cloaking this exploitation (see *Wages under Capitalism*).

Theory of Centrally-Planned Economy, Bourgeois, one of the most widespread anti-communist falsifications of the socialist economic system. According to this theory the tasks of production development in socialist economy are fulfilled by voluntaristic, arbitrary commands, orders and directives issued from the centre. On the basis of the unscientific methodology of bourgeois political economists, the advocates of this theory consider socialism in

isolation from its inherent relations of production, and ignore the objective economic laws of socialism. They claim that the absence of a spontaneous market mechanism inevitably results in an "inflexible" and "bureaucratic" management and planning system designed for "production for the sake of production". In defining the economic system of socialism as a "centrally-planned economy" bourgeois economists falsify the objectives of socialist production, distort the essence of the centralised planning and management of economy, and misinterpret the role of commodity-money relations under socialism. The typical non-class approach of bourgeois political economy in characterising the state is manifested in ignoring the social nature of the socialist state as a state of the whole people. The theory of centrally-planned economy stems primarily from the unscientific interpretation of centralised economic life under socialism, considering it in isolation from the public ownership of the means of production, which determines the high level of centralisation and its democratic essence. The planned and balanced organisation and management of the socialist economy is in fact based on the Leninist principles of *democratic centralism in economic management*, which combines centralised management with the broad creative initiative and energy of the people. The advocates of the centrally-planned economy theory, who reject the objectivity of the economic laws of socialism because they identify objectiveness with spontaneity, ignore the basic differences between commodity-money relations under socialism and capitalist market relations. In this way they oppose improvements in commodity-money relations to the centralised planning, whereas in fact, under real socialism, these relations are a key factor of centralised planning. The ignoring of the objective economic laws of socialism as well as the refusal to understand the nature of socialist property and accept the fact that the socialist state is a state of the whole people underlie the wrong ideas about the objective of socialist production propounded by the theorists of the "centrally-planned economy".

The relations of public ownership of the means of production, inherent in socialism, objectively impel production to be developed in the interest of achieving welfare for all members of society and the unrestricted and harmonious development of each individual.

Theory of Convergence, a bourgeois theory claiming that the evolution and interpenetration of capitalism and socialism will result in the emergence of a so-called universal society, combining the best features of the two socio-economic systems. The best-known advocates of this theory are the American economists Pitirim Sorokin, John Galbraith and the Dutch economist Jan Tinbergen. The theory of convergence does not present an integral or well-developed system of views. There are three viewpoints as to in which system the changes take place: some consider that the changes leading to convergence are occurring in socialist society; others see these changes in capitalism; while the third group affirms that both systems are undergoing evolutionary changes. There is also no general consensus on the ways of convergence. Many advocates of the theory refer to the scientific and technological revolution and the growth of large-scale production that it has spawned, as well as to the peculiarities of its management inherent in both systems. Another large group includes those who emphasise the development of state planning and its correlation with the market mechanism. Some believe that convergence is taking place in all spheres: technology, politics, social structure and ideology. There exist also discrepancies of views in defining the final results of convergence. Most of the architects of this theory conclude that the two systems will merge to produce a single society differing from both capitalism and socialism. Another viewpoint maintains that both systems will persist, though in considerably modified forms. But every one of them, in one way or another, implies that in the process of convergence socialism will be absorbed by capitalism. The main flaw in all versions of the convergence theory is that they ignore the socio-

economic nature of both systems, which happen to be intrinsically different. While private capitalist ownership is based on exploitation, the socialist system of ownership excludes it completely. Bourgeois economists base their theory on superficial, formally similar features, such as the utilisation of new technology, changes in production management, and elements of planning. However, the essence and the objectives as well as social and economic implications of these features are fundamentally different under socialism. No convergence between capitalism and socialism is possible because of the fundamental differences in the social and economic nature of the two systems. The aim of the convergence theory is to delude the working masses that it is possible to gradually eliminate the antagonistic contradictions of capitalism within the framework of the system itself and to divert them from revolutionary struggle.

Theory of Economic Growth, bourgeois theory which purports to substantiate the interrelation between the technico-economic categories of reproduction and the rates of its expansion. Its appearance is a consequence of the competition between the two world systems, and the attempts to shift state-monopoly regulation onto a long-term basis. This theory considers three groups of problems: factors determining potentially possible economic growth; interrelation of technico-economic categories ensuring steady growth; ways of achieving steady growth (whether achieved automatically or requiring state interference). The 1950s witnessed the appearance and development of the Keynesian version of the growth theory. Its founders and leading representatives were the British economist Roy Harrod and the American economist Evsey Domar. According to Keynesian views, the formation of demand, especially the demand for capital investment, plays the most important role in economic growth. Models created by Keynesians produced the following conclusions: the rate of accumulation is a principal strategic factor and a basic parameter for regulating long-term growth; the growth

rate is stable if the share of savings in the income and the capital coefficient are also stable (the so-called guaranteed growth rate). However, this stability is not maintained automatically. Deviations of actual growth rates from the guaranteed rates engender cyclic vacillations. To maintain stable growth, the state has to interfere and make it sure that demand is effective. In the late 1950s, economists of the neo-classical school (see *Neo-classical Trend in Bourgeois Political Economy*), who advanced what they claimed was a more realistic version of the theory of economic growth, began to actively elaborate the problems involved. They proceeded from the production function characterising the link between the expenditure of economic resources and the output of products. A system of indicators characterising the dependence between the expenditure and the output of products and between the expenditures themselves was deduced on the basis of different production functions. Moreover, a system of quantitative characteristics was elaborated for evaluating the economic effect of technological progress on economic growth. At the same time the neo-classical theory of growth was expected to prove that the capitalist economy is internally stable and possesses the necessary means of automatically restoring the disturbed equilibrium, and that government interference in the economy must be restricted primarily to the sphere of credit and monetary policy. The extremely abstract character of the models of economic growth and the narrowness and unrealistic character of the initial prerequisites are the principal reasons why this theory is in a deep crisis today. The basic idea of economic growth as the factor that can solve such radical problems in capitalist society like creating jobs, reducing social inequality and providing higher standards of living for all strata of the population has gone bankrupt. In this situation, bourgeois economists often advance an alternative to purely quantitative growth, viz. the doctrine of rising "quality of life" (see *Theory of Quality of Life*). The practical recommendations of the theory of economic growth also proved

of no avail. It has formulated two principal trends of state-monopoly regulation of economic growth: (a) short-term regulation of the economy to smooth out cyclic vacillations, primarily by applying Keynesian formulas for controlling effective demand; (b) maintenance and development of the economic potential in order to step up the growth rates in a longer perspective. Both economic policy trends encountered huge difficulties because of the sharp aggravation of capitalist contradictions in the 1970s. Galloping inflation and the internationalisation of economic links hamper the policy of stabilisation using traditional methods of regulating effective demand. Keynesian anti-cyclic measures proved to be ineffective. The policy of protracted stimulation of economic growth turned out to be extremely lop-sided. Instead of aiming at infinitely increasing potential growth rates, economists are now more and more often posing the question of "reasonable" limits of growth as regards production and consumption. The shortage of certain raw materials, sharp rise in the price of raw materials and energy resources, and the deterioration of many "quality of life" indices demand new forms of state interference in the economy. The crisis of the theory of economic growth is one of the manifestations of the overall crisis of bourgeois political economy.

Theory of Equal Partnership, a bourgeois economic conception which tries to resolve the problems of the accelerated development and modernisation of the economies of the developing countries on a capitalist basis. It is embodied in the policy of *neo-colonialism*. The theory was expounded in 1969 in the "Pearson Committee" report for the International Bank for Reconstruction and Development, which summarised the consequences of relations between the Western powers and the developing countries during preceding decades. The conception admits that the existing structure of the international capitalist division of labour (see *Division of Labour, Capitalist International*), in which

the role of the developing countries is confined to supplying raw materials and foodstuffs, is obsolete, and concludes that the time is ripe for the global redistribution of certain industries, with some of them, initially the primary processing of agricultural raw materials and crude minerals and then metal processing and textile and even the electronics and atomic industries, being moved to the developing countries. The architects of the theory believe that this redistribution will result in the economies of developed and developing countries eventually complementing each other on the basis of "equal partnership" and, ultimately, their integration within the framework of a "world community", which is taken to mean the world capitalist system. The emphasis is placed on the development of trade and greater foreign investment, and on the theoretical justification for the multinational monopolies' penetrating the manufacturing industries of the developing countries. These countries should increase their own efforts in the development of their economies, with "aid" playing an auxiliary role. As a result of this strategy, the developing countries will succeed in building some industrial enterprises, but will be only of secondary importance in world industrial production; the economies of these countries will remain on the whole underdeveloped. The theory of equal partnership has its origins in the deepening crisis of the *world capitalist economic system*, in particular, the crisis of relations between the imperialist and the developing countries. It reflects the attempt by imperialism to adapt to a new situation. The ultimate goal of this conception and the ensuing strategy is to strengthen imperialism's grip on the developing countries.

Theory of Factors Production, a bourgeois theory which asserts that there are three main factors interacting in the production process: labour, capital, and land. Each factor is presented as an independent source of *value*. The wage is the price of labour, and the sole result of the worker's activity in the production process. In this way the exploitation of the workers is masked. *Profit* (often called *interest*) is pic-

tured either as a result of the productivity of capital, or as remuneration which capitalist receives for his work. *Rent* is often called nature's gift. *Capital* is identified with the *means of production* and is perpetuated as such. The theory was first developed by the vulgar French economist J. B. Say (1st half of the 19th century). Because the means of production, like labour itself, are necessary elements of any labour process, advocates of this theory erroneously contended that these elements are independent sources of value. Actually, in the production process, *abstract labour* creates new value and *concrete labour* transfers the value of the means of production to a new product, using them to create a new *use value*. Therefore, workers' labour alone is the source of the new value from which capitalists and landowners derive their profits. In modern capitalism, the "three factors" theory is being modified as follows: first, the range of factors involved in the production process and in the creation of value expands with the incorporation into them of the state, science and "human capital", i. e. man's knowledge, skills and abilities which result in higher labour productivity; second, the establishment of new relations between production factors (with science and "human capital" moved to the forefront); third, the use of the factors of production theory for new apologetic aims (the claim that capitalism is evolving into a post-industrial society in which power will pass to the scientists); fourth, the mathematical interpretation of this theory. Certain real processes in the development of production — the heightening role of technical progress, science, education, and the economic role of the state — are reflected in the factors of production theory. However, all these new phenomena are being treated in a distorted way, in order to achieve the objectives of capitalism's apology. Formerly, this theory was used to disguise capitalist exploitation and to negate the existence of capitalism's antagonistic contradictions, whereas now it is being used as an argument for the vulgar conception of the "transformation of capitalism" (see *Theories of Transformation of Capitalism*).

Theory of General Welfare State, a modern bourgeois theory, camouflaging the anti-popular nature of the contemporary bourgeois state. The term was first used at the end of the 1940s, although its fundamental principles emerged before World War II as a reaction to the active intervention by the capitalist state in the economy. The supporters of the theory want to prove that the function of the state in the developed capitalist countries is to "promote the general well-being of all its members". They are trying to substantiate the thesis that the bourgeois state has turned today from a dictatorship of the exploiting classes into a supra-class organism that is abolishing the exploitation of labour by capital, equalising the rich and the poor, etc. Besides providing for material well-being and smoothing over class distinctions, the apologists of capitalism say, the "general welfare state" ensures broad political rights and freedoms and an "abundance" of cultural benefits, and conducts a policy of extending "welfare" to the developing countries. The concept of the "general welfare state" has been acclaimed by reformists, right Social-Democrats included, who see the bourgeois state as a means of "eliminating class antagonisms" and "transforming" capitalism into socialism. Capitalist reality explodes myths about "class harmony" between labour and capital, and the bourgeois state's activities that are claimed to lie outside the class context. Facts prove that the state under capitalism is a tool utterly at the disposal of monopolies, and the much lauded "welfare" is only for barons of finance capital, while spelling misery and suffering for hundreds of millions of working people. Especially relevant today is the issue of the working people's political rights in the capitalist countries. Bourgeois ideologists are extolling the capitalist state, which, they say, "ensures the exercise of human rights". In practice, however, bourgeois democracy has always been a form of domination by the capitalist class and, as such, can only ensure real freedom to the propertied classes. The theory of the general welfare state is an apologetic theory which distorts the social and economic principles of bour-

geois society and interprets its political superstructure from false positions.

Theory of Industrial Society, a modern bourgeois apologetic theory which asserts that scientific and technological progress is able to influence directly all aspects of social life. Its most prominent exponents are Raymond Aron, John Galbraith, Zbigniew Brzezinski and Daniel Bell. It is a continuation of Walt Rostow's theory of stages of economic growth. According to its advocates, industrial society is a special stage of social development determined by the modern state of technology and organisation of production. It claims that the basic features of society at a particular stage of development are directly determined by the character of the tools of labour and production techniques rather than by production relations between people and classes. According to bourgeois theoreticians, production technology, being the decisive factor of social development, passes through certain stages of evolution. At each of these stages it gives rise to corresponding social institutions. Similar techniques engender similar social institutions. Therefore, the currently opposing systems of capitalism and socialism are bound to become more and more alike and eventually merge. The industrial society theoreticians take pains to avoid an analysis of class *relations of production* and give prominence to various features of modern large-scale production. They pay considerable attention to the state, considering it an important instrument of the "transformation" of modern capitalism. A feature of the industrial society theory is the concept of income equalisation. Specifically, the level of income is regarded as the most important indicator of the maturity of the industrial system. One variant of the theory of industrial society is that of post-industrial society founded by the American sociologist Daniel Bell. Unlike the industrial system theoreticians, who base their analysis on large-scale industrial production with its techniques and technology, Bell accentuates the organisation of science and theoretical knowledge. A post-industrial society is founded, not on the production of material benefits, but on the

scientific institutions which are gradually becoming a kind of scientific and administrative complex wielding great influence. Bell claims this leads to the key decision-making process being gradually assumed by talented scientists promoted by all sections of society ("meritocracy"). An offshoot of the post-industrial society theory is Brzezinski's technetronic era theory. Accentuating the significance of electronics and computer technology, Brzezinski asserts that all countries will inevitably enter a technetronic era pioneered by the USA. The objective of all the variants of the industrial society theory is to conceal the class antagonisms of bourgeois society. This is done by the absolutisation of scientific and technological progress and the ignoring of the role of production relations. The theories of industrial and post-industrial society also seek to prove that capitalism is being "transformed" peacefully and without revolutionary reforms into a new social system possessing many of the features of socialism.

Theory of Managerial Revolution, a modern theory of bourgeois economics, component of the theory of people's capitalism (see *Theory of People's Capitalism*). Its forerunners were the bourgeois sociologists A. Comte and T. Veblen, who predicted an era when technical experts would play the leading role in society. The theory was evolved in the book *Managerial Revolution* (1941) by the American philosopher J. Burnham. He believed that as capitalist production expands, the class of capitalists becomes increasingly isolated from direct economic activities and management of enterprises. The functions of organising and managing the economic and, then, the whole life of society are gradually assumed by a new social stratum, the managers, a sector of the broad working masses. Step by step the governing of society becomes increasingly similar to management of a large-scale mechanised production. This new social stratum has social good and not profit as its ultimate goal. Therefore the gradual ousting of capitalist owners and the increasing role of the tech-

nocrats, or managers, will result in a change in the nature of the entire social order. The best example of the society of the future was, according to Burnham, nazi Germany, which was inevitably to be followed by Japan and the USA. The theory of managerial revolution incorrectly opposes the managers of capitalist enterprises to the capitalist class itself. In reality, top management is an integral part of the capitalist class; many managers have financial interests in the companies. The managers and other top executives of capitalist enterprises serve the bourgeoisie as organisers of production and of extracting surplus value. The theory of managerial revolution is a flagrant example of the vindication of modern capitalism, which is represented as a system of general welfare.

Theory of Marginal Productivity, vulgar bourgeois economic concept which claims that the source of value is the productivity of the "production factors" (labour, capital and land). It appeared in the first half of the 19th century, and was most conclusively elaborated by the American economist J. B. Clark (late 19th century). The concept is based on the *theory of production factors*. According to Clark, each production factor is involved in the process of production and is therefore productive. By contrast, Marxist political economy says that productivity is the attribute of concrete labour which produces use value. In Clark's view, each factor of production participates in creating a product's value to the extent of its marginal productivity, i. e., the amount of the "marginal product" it creates. The "marginal product" is the increase in output resulting from increasing this production factor by one unit, with all other factors being unchanged. According to this theory, the "marginal product" determines the "fair" incomes paid to each of the factors. Thus, the "marginal product" of capital is interest. The workers' wages are determined by the "marginal product of labour". According to this concept, an increase in the number of people working at an enterprise tends to reduce the productivity of labour of

each newly employed worker, given the unchanged amount of capital and same technical level. The entrepreneur stops employing workers when a worker is unable to produce the amount of commodities needed to provide for his existence. The productivity of this particular worker is "marginal productivity", and the marginal product he produces is "natural", or "fair", payment for his work. Thus, the amount of one's wages is made dependent on productivity and employment levels. The more workers who are employed, the lower the productivity and the lower the wages. According to this reasoning, unemployment is caused by workers' demanding wages which exceed "marginal product". Thus, wages are taken out of the context of social and class relationships and are divorced from capitalist relations of production, those of exploitation of labour by capital. They are presented as the "natural price of labour", as a non-historical category. The theory of marginal productivity is widely employed by reformist ideologists to justify their concepts of wages under capitalism.

Theory of Marginal Utility, a vulgar bourgeois economic theory explaining the process of price formation through subjective estimates of competing capitalists. It originated in the last third of the 19th century and was directed against the Marxist theory of labour value. It was expounded in the works of William Jevons (Britain), Léon Walras (Switzerland), Carl Menger, Friedrich von Wieser and Eugen Böhm-Bawerk (Austria). Its advocates formed what is called the Austrian school of bourgeois political economy. Their analysis centred on use value or utility, and its subjective psychological interpretation. The value of anything is deduced from its "marginal utility", i. e., the utility of the last unit that satisfies the least important requirement of the subject. Thus, exchange is based not on exchange value, but on use value, to which is ascribed the ability to directly correlate benefits. In the subsequent years the advocates of the theory split into two factions: the "cardinalists", who stuck to the traditional stand, i. e., argued that it was possible to

calibrate the absolute magnitude of "marginal utility" (Alfred Marshall in Britain and others), and the "ordinalists", who considered that impossible and therefore preferred using the method of ordinary collation of preferences (John Hicks in Britain, Paul Samuelson in the USA and others). The "marginal utility" advocates deny that value is the expression of the socially necessary labour input and ignore the objective character of economic development laws. They do not recognise the determining role of production and replace production relations by those of exchange. What is reactionary about the theory is that it tries to disguise the exploitation of labour by capital, to conceal the source of surplus value (the unpaid labour of the workers) and to distort the entire social and class structure of capitalist society. Marxist-Leninist political economy has proved that this theory is utterly untenable and clashes with capitalist realities. For instance, the subject's assessment of his requirements is not arbitrary, but is determined by his effective demand, which in turn depends on the position which a certain participant in the exchange occupies in capitalist production and, consequently, on the relations of distribution. Neglect of real social processes makes the "marginal utility" theorists construct abstract, futile schemes which revolve in a logical vicious circle: the value of benefits is deduced from the level of available resources (incomes) and requirements, and these, in their turn, are determined by the income levels.

Theory of Market Socialism, a variety of current anti-Marxist economic thought according to which the socialist economy is a kind of commodity and money economy which operates in conformity with the laws of market competition. It is widespread in bourgeois, reformist, and right-wing revisionist literature. Its ideology and essence can be traced back to: 1) petty-bourgeois Utopianism of the second quarter of the 19th century with its illusory hope of attaining socialist ideals without changing the society of private commodity producers (Socialist Ricardians, Rodbertus, Proudhon); 2) to abstract models of "socialist"

economy of the 1930s that emerged in the framework of the *neoclassical trend in bourgeois political economy* and amounted to attempts at constructing a model of socialist economy by modifying the conventional scheme of free market competition through the use of some elements of a planned economy. The most important theoretical premise of the theory is the identification of rational proportions of production and distribution with those which emerge in an uncontrolled way as a result of the unfettered interaction of supply and demand and uncontrollable *price* fluctuations. The theory claims that markets of *capital* and *labour power* exist under socialism. The market criteria are elevated to the status of the only possible objective criteria of economic activity. The theory employs an atomistic approach to economics, in which the economy is regarded as a sum of individual enterprises. The economic activities of the state and the role of central planning are viewed as a force alien to socialism, and which should be stringently limited. As a result, state ownership of the basic means of production figures in the theory only as a legal form with no real economic content. Market socialism theoreticians employ the concept of the "property of enterprises". The nature of this property and its models vary according to the given theoretician. In the anarcho-syndicalist variant of market conception, the basic functions of enterprise management (including distribution of the gross income and liabilities for product marketing losses) are assumed by the work collective itself which acts as the actual collective owner of the means of production. In the "managerial" (technocratic) variety, the decisive role in enterprise management and many functions of the real owner are allotted to the professional manager, whose relations with the work force of the enterprise are essentially those of capitalist and hired worker. In current bourgeois literature, the theory of market socialism serves as an initial abstract model which is used in the criticism of real socialism. In reformist and even more so in current right-wing revisionist literature, it is a key element of the economic core of associated anti-Marxist models of socialism.

Where the models of market socialism go wrong is that their postulates are divorced from the real conditions and needs of modern production. The development of the productive forces has long since rendered the abstract scheme of free competition well-nigh invalid, and turned this scheme into an atomistic picture of the economic structure of society. The limited power of market regulation mechanisms is especially obvious in the context of the scientific and technological revolution. The logical inconsistency of the theory of market socialism is also explained by the fact that it ignores the basic difference between the socialist economy and the commodity capitalist economy, as is evident when it brings the labour market or collective ownership, which are alien to the theory, into its models.

Theory of Mixed Economy, a bourgeois-reformist conception according to which the modern capitalist economy has ceased to be a system of private enterprise as a result of the economic activity of the state, and has now become a combination of complementary private and public sectors. According to the proponents of this theory, the public sector has lost its capitalist nature and has socialist features. The purpose of this conception is to prove the viability of the capitalist economy and, as a consequence, to show that there is no necessity for the revolutionary transition to the communist mode of production. The conception appeared in the second half of the 19th century in opposition to the revolutionary Marxist theory of the inevitable collapse of capitalism. The German bourgeois economist Adolf von Wagner is the founder of this conception. The most complete exposition of this theory was provided in the 1920s by the German bourgeois economist Werner Sombart, who set forth the theory of social pluralism, according to which society develops not through change of economic systems (e.g., capitalism giving way to socialism), but rather through coexistence of systems, with each newly-emerging system joining the foregoing one, rather than superseding it. In this way he sought to prove the right of capitalism to

extended coexistence with socialism. The rise of state-monopoly capitalism produced some varieties of the mixed economy theory reflecting the real situation in the capitalist economy, including the active intervention of the bourgeois state in economic life. American economists Stuart Chase, Alvin H. Hansen, John Clark and Paul Samuelson say that both private and public sectors exist within the modern capitalist economy and that the public sector is opposed to private enterprise because it allegedly has lost its capitalist nature. They insist that control of the economy is exercised by both state and private institutions with the sole purpose of increasing people's welfare. In their opinion, there has been a revolution in the functions of a bourgeois state in the 20th century, and as a result, state economic and social measures can eliminate any contradictory developments and ensure crisis-free progress, and stable and high growth rates. A reformist variant of the theory (see *Theories of Transformation of Capitalism*) has been developed by British right-wing labour ideologists (A. Crosland, J. Strachey). American economist R. Solow provides the latest version. He constructs a four-sector model of the economy of the USA, which is described as a harmonious combination of different types of economy and forms of economic organisation, where the role of the state is seen as the determining factor. The principal methodological failure of the theory of mixed economy is its formal-legal approach to the realities being studied. According to Marxist-Leninist theory, in a society based on private ownership of the means of production, both the private and state economic sectors represent one uniform capitalist economic system. It is entirely wrong to say that the state plays the decisive role in the capitalist economy, since under state-monopoly capitalism the monopolies play the decisive role. Bourgeois theorists grossly exaggerate the importance of state social measures, and ignore the fact that these measures are only possible because of pressure from the working people; the true role of the monopolies and their activities aimed at intensifying exploitation are distorted. On the whole, the

attempt made by mixed economy theorists to misrepresent state-monopoly capitalism as a new, non-capitalist society, almost socialism, where the "harmony of interests" reigns, is a form of apology of capitalism designed to distract the working people from the class struggle.

Theory of Monopoly Competition, a current bourgeois theory dealing with problems of marketing under the competition of monopolies. It made its appearance in the 1930s. Founded by the American bourgeois economist E. H. Chamberlin, it was further developed by bourgeois scholars belonging to different trends of political economy. The concepts comprising this theory are based on recognition of the real fact of the linkage on the capitalist market between monopoly and competition. But this system does not at all embrace a scientific understanding of the essence of monopoly capitalism, because it isolates monopoly from the *concentration of production* which, as Lenin pointed out, proceeds at a certain level of development right up to the monopoly. According to the theory of monopoly competition, the essence of the monopoly is not domination of the decisive sphere of production or marketing of the given industry, but control over the differentiated product (i. e., the product differing from other products by even certain insignificant characteristics, such as colour, etc.), effected by the big and small merchants down to salesmen in small boutiques, as well as street hawkers. Thus, the theory of monopoly competition distorts the essence of the monopolies and contradicts Lenin's theory of monopoly capitalism. According to it, competition arises when the market is divided between the owners of the substitutes of differentiated goods. Monopolies and competition combine when the "differentiation of goods" is followed by the appearance of substitutes. True, there is competition of this kind on the capitalist market, but it is not the sole kind of competition, moreover, the competition of substitutes assumes a monopoly character only when these products are manufactured by the trusts, cartels, syndicates, etc. The prob-

lems of market relations and the production of competing monopolies in the period of mass production of specialised goods is the main subject of the theory. The analysis is made on the basis of an individual company striving to make the highest profit. Using the theories of factors of production and marginal productivity (see *Theory of Factors of Production* and *Theory of Marginal Utility*), those of this school claim that the objective intra-industry differentiation of products of various firms could account for the relative independence of individual prices in relation to the market price, i. e., yield a certain "monopoly effect". Thus, surface market processes of the formation of prices and profits are regarded as the processes which create value and profits. This vulgar absolutisation of the sphere of circulation conceals the main source of monopoly profit — *surplus value*. The purpose of the theory of monopoly competition is to ease the most acute contradictions of *state-monopoly capitalism*.

Theory of People's Capitalism, one of the most widespread contemporary bourgeois apologetic theories. Its main contention is that the character of capitalist society changes as a result of the action of mechanisms inherent in capitalism. Its advocates maintain that capitalism gradually and automatically grows into a new social system similar to socialism. Among these mechanisms, the greatest significance is attached to the "democratisation of capital" or "diffusion of property", "democratisation of the management" of production as a result of the "managerial revolution" (see *Theory of Managerial Revolution*) and the "incomes revolution" (see *Theory of Revolution in Incomes*), which allegedly reduce the differences in the income levels of the various segments of the population. Bourgeois theorists hold that the "democratisation of capital" is the most important process. The wide spread of the joint-stock form of capitalist enterprises is supposed to engender the mass diffusion of shares among the working people. As a result, capitalist property allegedly loses its capitalist character and becomes popular,

collective. The fact that a factory worker or a small office employee buys shares is regarded as evidence that a growing number of workers are becoming capitalists, co-owners of enterprises. According to this theory, the gradual "transformation" of a growing mass of workers into capitalist owners is complemented by the growing role of the new stratum of managers of capitalist enterprises. According to bourgeois sociologists, these processes go hand in hand with a levelling out of the incomes of different social segments. Here it is the bourgeois state, with its policy of progressive taxation, public expenditure on education, public health and social insurance, that plays the most important role. The formal-juridical approach to the problem of share-owning is the key methodological flaw in the theory of "capital democratisation". The fact that the worker buys a few shares does not grant him any real opportunities to influence the management of the joint-stock company and changes virtually nothing in his social status as a worker. On the contrary, the mass spread of shares furthers the mobilisation of additional means of the population and makes it easier for big share-holders to control joint-stock companies. Most of the working people in capitalist countries have no shares at all. Nor is there any levelling out of incomes. The theory of "people's capitalism" is designed to distract the working class and all the working people from the need to eliminate the capitalist relations of production and to engender an illusion of the possibility of capitalism automatically growing into socialism.

Theory of Quality of Life, a bourgeois-reformist conception claiming that it is possible, under capitalism, to attain qualitatively new living standards for all strata of society as well as to satisfy their social and cultural requirements. Among the most outspoken advocates of this theory are Jay Forrester, Angus Campbell, Philip Converse and Willard Rodgers (USA), Wolfgang Böckeförde (West Germany), and Hans Reithofer (Austria). The appearance of this theory was objectively determined by the further aggravation of

the *general crisis of capitalism* in the late 1960s and early 1970s, as well as by the consolidation of the *world socialist economic system* and the demonstration of the advantages offered by real socialism in all spheres of social life. The "quality of life" concept has become a standard feature of all the policy and election documents of many bourgeois and Social-Democratic parties, and an instrument for attaining their class objectives. Many theorists still offer different interpretations of the "quality of life" concept, both in content and volume. Some of them link the theory to the issue of environmental protection, others to the specific conditions and life styles of certain individuals, groups and social strata as a result of the current revolution in science and technology, while a third group treats it as state-sponsored social security measures, etc. Social-Democratic ideologists lump into this concept issues like environmental protection, better town planning and management, state policy in transport, public health and cultural policies, public involvement in management, etc. On the whole, the "quality of life" concept is treated as an integrated feature of the economic, political, social and ideological factors determining man's position in modern bourgeois society, with special emphasis being made on cultural life. The ideological advocates of monopoly capital try to capitalise on the working people's growing discontent with the existent situation, and, at the same time, try to prove that they can change their life under capitalism for the better, can gain access to production management, cultural wealth, etc. However, all the bourgeois and reformist theorists can be characterised by a narrow-class and non-scientific approach to attaining proclaimed goals, as well as the desire to perpetuate monopoly domination. In their writing they do not touch private property, which forms the foundation of bourgeois society. Moreover, they deem it necessary to undertake measures that will swell the number of property-owners, thus encouraging the "productive property to be concentrated in the hands of hired workers". This, in their opinion, would guarantee each worker genuine par-

ticipation in managing the affairs of his respective enterprise. Projects for establishing a society governed by the new "quality of life" concept are distinguished by their Utopian and non-scientific approach. Capitalism is said to possess the possibility of turning into a "society of high moral principles and culture" and of being oriented onto a high "quality of life". The advocates of this theory insist that the value of non-material benefits (leisure time, sports, entertainment, etc.) will grow in importance, that people will be satisfied with "their own labour activities", etc. None of its proponents, however, has yet been able to give a precise answer to how to attain the conditions of life and work worthy of human beings. Capitalist reality itself refutes the "quality of life" concept. Within bourgeois society there is a growing gap in living standards between the exploiter classes and the working people, the conditions of work of hired workers continue to deteriorate, and genuine culture becomes increasingly out of reach for most of the people. Marxist theorists convincingly reveal the apologetic, class character of the "quality of life" concept and the real objectives of its proponents. While rejecting the bourgeois-reformist content of the theory of quality of life, they give an anti-monopoly thrust to the demand for qualitatively better living conditions for the working people. Besides, they link this demand with the revolutionary transformation of capitalist society and the establishment of the domination of socialist production relations. On the basis of public ownership of the means of production, a new quality of life for the working masses is created. It is different in principle from anything imaginable under capitalism, for there is no exploitation, and man is working for himself and his own society. The product belongs to the producer and his society and is distributed in their interest. Conditions, which ensure each man the right to work, have been created, and conscious and honest work for the benefit of society is recognised as the highest criterion of man's worth and prestige. The development of social production is aimed at providing optimal material condi-

tions and at moulding harmonious personality.

Theory of Revolution in Incomes, a theory of bourgeois economics, a component of the theory of people's capitalism (see *Theory of People's Capitalism*) which was widely publicised in the 1950s. As it basically suggests, given economic development and the ensuing growth in per capita income, the *national income* is distributed more uniformly, i.e., the share of the rich strata decreases while that of the poor increases accordingly. This conception is employed to propagate the myth of an all-embracing "middle class" which includes workers, employees, farmers, and owners of small businesses. In this way the illusion is created that those who exploit and those who are exploited have common goals and interests. Bourgeois economists claim that the incomes level out because of progressive taxation. In fact, regulations in capitalist countries enable the capitalists to conceal much of their profits (for instance, premature write-offs, percentage depletion, the possibility to fractionalise income to reduce the progressive taxation, etc.). In the USA, the interest paid on State and municipal bonds, some income coming from dividends, contributions to charities and election campaigns, the interests paid on personal loans, etc., are not taxable or can be deducted from taxable income. Official statistics show the falsity of the claim that there has been a radical change in income distribution in the developed capitalist countries. In the USA, a country of great social contrasts, five per cent of the richest families received about 16 per cent of all income in 1972. At the same time 25 million lived below the poverty line and 12 million more were right on that level. The world economic crisis of the mid-1970s exposed the deepest class contradictions of the capitalist economic system, and resulted in a dramatic drop in working people's incomes and living standards. Permanent mass unemployment, ongoing inflation, declining real wages and more intense labour are manifestations of hard life of great numbers of working people. The bankruptcy of this theory has been acknowl-

edged by bourgeois scientists themselves. Thus Joan Robinson, the British bourgeois economist said that economic growth, being unable to solve the problem of relative poverty, leads to greater absolute poverty. The theory of revolution in incomes draws a veil over the antagonistic nature of distribution under capitalism, and fails to trace it back to private ownership of the means of production; it creates the illusion that poverty and social inequality can be eliminated within the framework of capitalist production relations.

Theory of Ultraimperialism, a pseudo-scientific bourgeois and right-wing opportunistic conception which entertains the possibility that imperialism will be followed by a higher phase of capitalist development (ultraimperialism) under which, with the domination of monopoly capital, non-violent, non-imperialist, peaceful relations between great powers can exist. This theory misinterprets both the essence and the *historical place of imperialism* and the relations between imperialist states. It opposes the revolutionary struggle of the working class to do away with capitalism and build a socialist society. It was conceived by K. Kautsky, a leader of German Social-Democracy and the Second International, in 1914. Methodologically and politically, the theory of ultraimperialism is a continuation of Kautsky's theory whereby imperialism is regarded as a certain policy of the developed capitalist powers taking over agrarian territories. According to Kautsky, ultraimperialism is a policy of the leading capitalist powers for the joint exploitation of the world by international *finance capital* as a result of transplanting the policy of the cartels into foreign policy. A united world cartel would, Kautsky claimed, eliminate the contradictions between capitalist powers and thus eliminate the danger of world war in the framework of the capitalist system. His theory, formulated during World War I which brought the contradictions of capitalism to a head and created a revolutionary situation in several capitalist countries, was an attempt to make imperialism appear innocent of the massacre and weaken the revolutionary struggle

of the working class against capitalism, the murderer of millions, by illusory hopes for a "new, peaceful epoch in development of capitalism". As a counter to Lenin's appeal to transform the imperialist war into a civil war, the theory called for reconciliation with imperialism, for peace between workers and capitalists. Lenin unmasked the counter-revolutionary essence and the pseudo-scientific nature of the theory of ultraimperialism. He showed that the concentration and centralisation of capitalist production does generate a trend towards a world trust. But this process takes place in such antagonistic forms that before the trust can even come into existence, capitalism is bound to die and be replaced by socialism. The growing *concentration of production* and *concentration of capital* inevitably lead to aggravating class and other social contradictions, significantly increase the uneven economic and political development of the imperialist countries, which, in the context of the division of the world between them, inevitably leads to world wars. Lenin noted that ultraimperialist alliances are either utterly impossible or possible as temporary agreements between imperialist countries and between capitalists. Not only did Lenin unmask the extremely reactionary and Utopian nature of ultraimperialism, he also foresaw the socio-economic tendencies of current integration processes in imperialist countries. The historical experience of the 20th century has proved beyond any doubt that the theory of ultraimperialism is untenable.

Time of Capital Circulation, period of time during which *industrial capital* is in the sphere of circulation when capital is converted from its money form into the component parts of *productive capital* (labour power and the means of production), and from its commodity form into its money form. Material benefits, *value* and *surplus value* are not created during this time, there is only a conversion of the *form of value*. Even so the time of circulation is a necessary aspect of the *circuit of capital*. It is needed to buy labour power and the means of production, without these it is impossible to create *surplus value*, and to realise the

commodities and the unpaid labour of wage workers they contain, which is appropriated by the capitalists without any compensation. If circulation time is reduced it becomes possible to return capital to the sphere of production sooner and, because of the acceleration of the *turnover of capital*, to expand the use of wage labour and thus increase the annual *rate of profit*. To do this, capitalists try to use more up-to-date technical means of transport and communications, and new, more effective forms of trade. However, the anarchy and spontaneity of the development of the capitalist economy as a whole, as well as the exacerbated competitive struggle and the declining position of the working people present an obstacle to the reduction of the time of capital circulation. During regular crises of overproduction the time of commodity circulation markedly increases because of greater difficulties in the realisation of commodities and the growing mass of those unsold, which is evidence of the antagonistic contradictions inherent in capitalist reproduction.

Time of Capital Turnover, total period of time, in the course of which the advanced value goes through the stages of production and circulation, i. e., the time of the movement of value from the moment it is advanced to the moment it is returned to the capitalist in its initial money form, but increased by the magnitude of *surplus value*. To measure the turnover period, a year is usually taken as the natural unit of time. The turnover time includes the *time of production* and the *time of capital circulation*. The time when capital is in the sphere of production depends primarily on the duration of the *labour time*. It is possible to reduce that period in various ways: e. g., by new technology, improved organisation of labour, etc. The capitalist also tries to reduce the time of the circulation of capital. The time of the turnover of various parts of capital is not uniform. The turnover of *current capital* equals the time of one circuit. The time of the turnover of *fixed capital* consists of several circuits. As a whole the general turnover of the advanced capital is the average number of the circuits

of fixed and current capital. The time of turnover depends on the ratio between fixed and current capital. The greater the share of fixed capital, the longer the time of turnover of the entire capital. *Variable capital* is one part of current capital. Surplus value increases depending on the speed of turnover of variable capital. The capitalist with a quicker turnover of variable capital can hire more workers and obtain more surplus value given the same amount of variable capital.

Time of Production, under capitalism, the time during which capital is in the productive sphere, i. e., operates as *productive capital* whose function is to create *surplus value*; under socialism, it is the time during which the means of socialist enterprises are engaged in production. It embraces the entire process of manufacturing a certain product at an enterprise from the moment the means of production are supplied to the moment the finished product is ready. Production time consists of: 1) the time during which the means of production are retained as a production stock, which ensures the interrupted process of production; 2) the *labour time* during which the labour process as such takes place; 3) the time consumed by intervals in labour; 4) the time during which objects of labour are subjected to the impact of natural or artificial (in certain industries) processes in conformity with the accepted technology. The most important element of production time is the working period. The longer this period of time, the higher the expenditure in producing the item. Reduction of production time means more effective utilisation of the means of production and labour power. It becomes possible to accelerate capital turnover, and, under socialism, to accelerate the turnover of the means of production (producer goods) of socialist enterprises and associations. Under socialism, the working period is reduced through the planned utilisation of the latest achievements of science, technology and advanced expertise, by better organisation of production, by encouraging the *social division of labour*, *concentration of production*, and *specialisation of production*, and by com-

bining of industrial production. Also significant in this respect are the growth of *labour productivity*, raising the *efficiency of social production* and *quality of work*, and the intensification of production (see *Intensification of Production under Socialism*) throughout the economy.

Transferable Rouble, a new type of collective international currency which is a clearing unit and means of payment in the reciprocal interstate clearings of the member-countries of the *Council for Mutual Economic Assistance*. The gold content of the transferable rouble is 0.987412 grammes. It became operative as of January 1, 1964, with the introduction of a system of multilateral clearing for the CMEA member-countries. It does not serve internal clearing and monetary circulation of individual socialist countries, and does not circulate as banknotes or cash. It is only used for clearing operations in trade, credit and other payments involving the CMEA member-countries. Its real security is based on the planned development of the CMEA countries' social production and planned commodity exchange on a foundation of stable foreign trade prices. This ensures the stable purchasing power of the transferable rouble and its being unaffected by the crisis phenomena plaguing the capitalist monetary system. It fulfils all the basic functions of international socialist currency — those of a measure of value, a means of payment and a means of accumulation. The main source of this currency for each country is the export of commodities and services to other CMEA countries, and the credits granted by the *International Bank for Economic Cooperation (IBEC)* and *International Investment Bank* in this collective currency. At present, the system of multilateral clearing embraces all the trade and services of the CMEA countries. In accordance with this system, each member-country of the IBEC can use its monetary receipts, regardless of where they have been obtained, for paying any other IBEC country for commodities or services. This eliminates the need to balance clearings with each partner. The use of the transferable roubles in international clearing operations

encourages the further deepening of economic cooperation within the CMEA. The comprehensive programme of socialist economic integration (see *Integration, Economic Socialist*) stipulates economic, and organisational measures to further strengthen the transferable rouble, ensuring a stable rate of exchange and gold content.

Transnational Monopolies, the biggest imperialist monopolies national in their capital, but international in the sphere of activity due to the *export of capital*. As a rule, these monopolies conduct at least a quarter of their production activity outside the mother country. These monopolies appeared at the beginning of the 20th century, when, in the struggle to seize raw material sources, the biggest monopolies of the imperialist states began setting up production branches not only in their own but also in other countries. The tendency towards their creation and enhancement of their role in the world capitalist economy gained in intensity after World War II when under the conditions of the scientific and technological revolution the biggest corporations in the developed capitalist countries attempted to use their technical advantage to monopolise production of certain commodities on a world scale and began actively setting up enterprises in many capitalist countries. These monopolies now control a considerable part of world capitalist production and participate in the *economic division of the world*. The biggest transnational monopolies include the US giant monopolies in the oil, motor, electrical engineering, chemical and other industries which have set up a broad network of enterprises in Western Europe, Canada and a number of developing countries. For instance, the American motor concern Ford has branches in 30 countries. The scope of the activities of such monopolies is so great that their gross sales (for instance, those of General Motors, Exxon, and Ford) exceed the gross national products of such countries as Denmark, Austria, and Norway, and approach those of Belgium and Switzerland. The big British monopolies (British Petroleum, IKI

and others), the West German concerns Hoechst, Siemens, B.A.S.F., and others, the Dutch concern Philips and others are also transnationals. The activities of such monopolies lead to an intensification of international specialisation and cooperation, and a deepening of the international capitalist division of labour (see *Division of Labour, Capitalist International*), because deep-running production ties develop between their enterprises, regardless of their location. Capital is invested in countries with better prospects for obtaining maximum profits. The entire mechanism for manoeuvring capital and using technology, raw materials, personnel, etc., is subordinated to the task of reaping superprofits on the scale of the entire capitalist world. Huge profits are connected not only with the large-scale production activities of the monopolies and their application of the results of the scientific and technical progress, but also with the use of the differences in wages and social legislation between various countries, tax evasion, monetary speculation, etc. As a result serious contradictions arise between the companies and capitalist states both in the countries where foreign enterprises operate and the mother countries. The activities of the transnational companies often reduce the effectiveness of measures for the state-monopoly regulation of the national economy and foreign economic ties. The transnationals retain and expand their positions in the economies of the developing countries, exploiting them by exporting valuable raw materials, selling goods at higher prices, paying lower wages to local workers, and so on. Recent increases in their investment in the processing industries of the developing countries have resulted in them setting up enterprises there that produce machine parts and assembly units or perform certain technological operations, thus closely binding their economies to those of the imperialist states. By making demands concerning the *new international economic order*, the developing countries are working to establish control over the activities of the multinational monopolies in their own economies and restricting their positions in the development of their national resources.

Trust, a form of monopoly association in the period of imperialism. The enterprises included in it lose their production, commercial and juridical independence completely. The aim of the trust is to obtain monopoly profits and boost competitiveness. The capitalists who own the enterprises merging to form a trust receive a certain number of shares (see *Stock [Share]*) in accordance with the size of their *capital* invested and also the right to participate in the management and to a corresponding share of profits (see *Profit, Capitalist*). The board of the trust, consisting of the biggest shareholders, runs all the activities of the enterprises included in it, concludes agreements, sets prices and terms of payment, and distributes *dividends*. Not only enterprises putting out similar products join together, but also ones interlinked by a technological production cycle, mutually supplementing one another in consecutive processing operation (for instance, coal extraction, metal smelting, engineering, etc.). Such a concentration eliminates the need for suppliers, speeds up the *circulation of capital*, increases profits and competitiveness. The first trust appeared in the United States in the 1890s, and the form soon spread to other countries. The presence of trusts and other forms of capitalist monopoly does not eliminate capitalist *competition*; on the contrary, it makes it more acute and fierce. The biggest trusts dominate in the main economic branches of the capitalist countries and constitute the production nucleus of *finance capital*. Under socialism, trusts, based on public ownership of the means of production, are a form of socialist concentration in the national economy. The establishment of trusts in the economies of the socialist countries promotes the efficiency of the national economy and fuller satisfaction of society's requirements.

Turnover Funds, a part of the productive assets which are usually fully consumed during one circuit, changing their natural-material form and wholly transferring their value to the manufactured product. The turnover funds include *objects of labour* in the sphere of production. Among

these are: raw, basic and ancillary materials, unfinished products, and fuel. In Soviet economic practice, turnover funds also include stock of low cost and durability, whose service life does not exceed 12 months or whose cost is below 50 roubles. The economical use of turnover funds, and the constant improvement of their use and, also, of the quality of the objects of labour in use are an important condition for raising the *efficiency of social production*. The *material intensity* of production is one of the generalising indicators of the use of turnover funds. It is lowered and turnover funds are used economically through the establishment and employment in practice of a single system of progressive rates for expending material resources. The lower the rate of expenditure of material resources per unit of product, the less — all other conditions being equal — the reserves and work in process. Higher rates lead to freezing the means, while lower rates lead to disruptions in the rhythm of production and circulation. The economical use of turnover funds is an important factor in making all social production more efficient.

Turnover of Capital, the *circuit of capital* determined not as a single act, but as a periodic process. The time of turnover of capital is determined as the sum of the time during which all advanced capital value passes through the stages of production and circulation. The speed with which capital circulates is calculated by the formula: $n = O:o$, where n — the number of turnovers, O — an adopted unit of measuring rate of capital turnover (one year), o — the time of turnover of the given capital. Speeding up capital turnover makes it possible to reduce the volume of the advanced capital. This acceleration increases both the annual mass of *surplus value* and the annual *rate of profit*. Hence, the striving of capitalists to speed up capital turnover. The composition of *productive capital*, which is divided into *fixed capital* and *current capital*, is an important factor influencing the rate of capital turnover. Therefore, in the time it takes fixed capital to make one turnover, current capital makes

several turnovers. Thus, the greater the share of current capital in the advanced capital, the shorter the time of the turnover of all capital. The faster the turnover of all capital the quicker its variable part circulates, and the greater the surplus value of the capitalist. The degree of exploitation of the working class increases correspondingly.

Turnover of Production Assets, circuit of production assets, which is regarded as a periodically repeated process, as a result of which the value advanced by society is fully returned to its initial form. The *production assets* of the socialist enterprise comprise *productive assets* and *circulating funds*. As far as the character of their functioning in production, the method of transfer of the value to the product of labour, the turnover method and the method of replenishment are concerned, productive assets are divided into *fixed production assets* and *turnover funds*. Production assets of socialist enterprises make their circuit and turnover in a planned way. Assets move without crises or violations of the course of a single process of turnover at the production and circulation stages. The time of turnover of production assets is comprised of the period of production and circulation. The *time of production* is the duration of the assets operating in the sphere of production, beginning from their arrival and ending in the manufacture of ready products. It involves: 1) *labour time*, i. e., the time the product is subjected to the direct effect of labour (the duration of the operating period is different for different branches and different enterprises); 2) intervals determined by the necessity of bringing the effect of the natural processes to bear on the *object of labour* (physical, chemical, biological) to obtain a certain useful effect (peat drying, leather tanning, etc.), and also determined by certain organisational reasons associated with the work regime and the specific features of production; 3) the time during which the objects and means of labour are held in production reserves, in other words, when they are on their way to the production process to ensure its continuity. The *time of circulation* includes: 1) the time for purchasing and

transporting the necessary means and objects of labour; 2) the time needed to sell ready products which begins the moment the ready product is delivered to the warehouse and ends with the receipt of money from its sale on the enterprise's account. The time of turnover of production assets is lessened, depending, first of all, on the accelerated pace of *scientific and technical progress* which influences every time element of production and circulation. The rate of turnover of production assets influences to a great extent the efficacy of their use. It is determined by the number of turnovers (n), made in a definite period (O), or the duration of one turnover (o). The dependence between them is expressed by the following formula:

$$n = \frac{O}{o}$$

$$o = \frac{O}{n}$$

Important indicators of the work of the enterprise such as *labour productivity*, the *cost of product*, *profitability* and so on also depend on the rate of turnover of production assets.

Turnover Tax, in socialist countries, this is the form of economic relations between enterprises and society as a whole concerning the planned distribution and redistribution of the net income of socialist society (see *Net Income of Society*) through immediate and direct centralisation of a part of it in the state budget. Turnover tax ensures the solidity and stability of the state budget, regular financing of the measures envisaged by the

integral plan for the country's economic and social development. It is mainly levied on consumer goods as a fixed part of the difference between the *wholesale price* of a product and its cost of production. The mechanism by which it is formed and used (obligatory payment, firmly fixed dates for and sizes of payments) makes it outwardly similar to the tax method for accumulating funds. In its nature and economic content, however, it is not a tax; it differs in principle from indirect taxes in capitalist countries (see *Taxes*), which are merely mark-ups on the price of a commodity and reduce the real incomes of the working people. Turnover tax is used not only as a source of revenue for the state budget, but also as a means for strengthening the *cost accounting*, regulation of the *profitability* of enterprises and the branches of the national economy. The state sets centrally the range of goods, the prices of which are to include turnover tax and the share of net income in them. Turnover tax is levied on products that are highly profitable. Turnover tax is paid by (1) state industrial enterprises (on goods they manufacture themselves and sell to purchasers at *retail prices*, minus trade discount, or at industrial wholesale prices); (2) purchasing organisations (on the sale, outside their own systems, of their own agricultural products and those of cooperative organisations); (3) wholesale organisations (dealing with goods obtained from industry at enterprise wholesale prices and sold outside their systems at retail prices with a trade mark-down or at industrial wholesale prices). On certain operations trade organisations, consumer cooperatives and public catering enterprises also pay turnover tax.

U

Underloading of Enterprises, Chronic, a phenomenon most characteristic of the capitalist economy during the *general crisis of capitalism*, expressed in the productive capacities of capitalist enterprises constantly being utilised below their possibilities. In the initial stage of imperialism, enterprises were underloaded on a mass scale only during economic crises, while during the general crisis of capitalism, productive capacity in capitalist countries becomes permanently and chronically underloaded. This results from the aggravation of the problem of marketing output, which is a consequence of the deterioration in capitalism's positions in its economic competition with socialism and intensification of the competitive struggle on the world capitalist market. The aggravation of the marketing problem makes full use of production capacities impossible. Even when production is growing faster, the capacities of capitalist enterprises are rarely 90 per cent loaded. The average figure is 75-85 per cent, but, in certain periods and certain branches, as low as 40-50 per cent. Enterprises operate below capacity in all capitalist countries, but this situation assumes the greatest dimensions in the United States, Britain and France. The fact that enterprises are chronically underloaded does not exclude the possibility of an increment in new productive capacity through additional capital investment. Chronic underloading of enterprises is one indicator that the capitalist relations of production have become a brake not only slowing down the development of the productive forces, but also preventing existing productive forces from being used to the full. This testifies to a deep-going disturbance of the process of capitalist reproduction, to an intensification of the decay and parasitism of modern capitalism.

Unemployment, a socio-economic phenomenon unavoidable under the capitalist

mode of production in which a specific part of those members of the population who can in fact work cannot find employment (become a relatively surplus population, and form the reserve army of labour). This is a product of the action of the *general law of capitalist accumulation*. As capitalism develops, the offers of working hands grow with the natural growth of the population, the ruin of small producers in competitive struggle, and the increasing involvement of children and women in capitalist production. On the other hand, the accumulation of capital is accompanied by a growth of its organic composition: the proportion of variable capital which determines the scale of the demand for labour power steadily, albeit relatively, declines despite its absolute increase. The demand for additional labour power in the process of capital accumulation also declines relatively because of the intensification of the labour of those employed, and because of frequent increase in the working hours. A surplus working population not employed in capitalist production is an inevitable companion of capitalism. But capitalism's reserve army of labour is a relative surplus able-bodied population, since it is only surplus compared to the needs of capital for extra working hands. Unemployment is a necessary condition for the existence and development of the *capitalist mode of production*. First of all, the presence of the unemployed who are looking for work allows capital to not only hold wages at a low level, but also, because of the threat that they will lose their job, to force workers to accept more intensified work, longer hours, and a lowering of the wage beneath the value of the labour power. Furthermore, the reserve army of labour is essential as a reservoir of free working hands for capitalist production, which develops spontaneously and unevenly. The relatively surplus population, or reserve army of labour, wrote Lenin, "are the workers needed by capitalism for the potential expansion of enterprises, but who can never be regularly employed... The surplus population ... is an indispensable attribute to the capitalist economy, which could neither exist nor develop without it" (V. I. Lenin, *Collected*

Works, Vol. 2, pp. 180-81). The army of the unemployed involves three basic forms: *floating surplus population*, *agrarian (latent) surplus population*, and *stagnant surplus population*. The level of unemployment depends on the changing phases of the industrial cycle: it particularly rises in periods of crisis and depression, but does not fully disappear even in periods of rapid economic growth. Moreover, the number of unemployed is constantly changing because of the distribution between industries and economic regions of the capitalist countries. In the epoch of imperialism, and especially in the era of the *general crisis of capitalism* mass unemployment has become a chronic phenomenon in the developed capitalist countries. Unemployment rose to its highest level in the 1930s in the USA, Great Britain and Germany where 15 to 25 per cent of the able-bodied population could not find work. In post-war years, despite various measures of state-monopoly regulation of the economy, unemployment continues to exist; furthermore, capitalism's greater instability and the deepening of its general crisis is producing higher unemployment. During the acute economic crisis in 1974-75, the number of unemployed in the developed capitalist countries exceeded 15 million and despite a subsequent economic revival of certain proportions, continued to further increase. As the economic situation became worse and the third recession in the capitalist world during the last decade unfolded, the number of unemployed in 1980 reached 19 million, i. e., double that of 1970. Simultaneously partial unemployment has become widespread, revealing itself in the use of labour power in incomplete working days or weeks because of the acute under-utilisation of production capacities. In January 1978 there were more than 3 million partially unemployed in the USA. The present conditions of the development of capitalist production and the scientific and technological revolution have led to changes in the structure of capitalist production and the structure of unemployment as well. New industries involving scientific and technical progress are rapidly expanding. The *non-production sphere* in the developed capitalist coun-

tries is expanding at an exceptionally fast rate. Workers in industries of declining significance are being cast out of work without the hope of quickly finding other employment since they are not equipped for work in other — especially new — industries. Since the end of the 1960s the proportion of non-manual (intellectual) workers, who have become an extremely significant sector of the contemporary labour force (about 40 per cent in the majority of developed capitalist countries and almost 50 per cent in the USA), has grown among the unemployed. Capitalism is thus demonstrating its inability to fully use contemporary productive forces and, above all, the main productive force, the working class. This is one of the most important factors revolutionising the working class, and educating it to understand the necessity of waging a determined struggle for socialism which can eliminate unemployment and the conditions that engender it. The structural changes in the army of the unemployed bring more and more non-proletarian classes into the anti-monopoly struggle of the working class.

United Science and Technology Development Fund of the USSR, money at the disposal of industrial ministries and departments used to finance investigations and R & D in technology, to refund expenditure on developing new types of goods and new technologies, to introduce scientific labour organisation, to meet additional expenses necessary for improving the quality of produce and cover the enhanced expenses inevitable during the first few years of production of new goods. Such a purposeful allocation of funds promotes *scientific and technical progress* and makes it possible to develop and introduce new machinery and technology without even temporarily affecting the activities of ministries, associated and individual production enterprises and organisations, based on the cost-accounting principle. The fund is formed by deducting certain amounts from the planned profits of R & D centres, associated and individual production enterprises and organisations, and from part of extra profits (the sums

added to the wholesale price) received from the sale of highly effective machinery and equipment and produce awarded the Mark of Excellence. Out of the United Fund, R & D, associated and individual production enterprises pay bonuses for the development, introduction and mass production of particularly important and highly effective types of equipment, machinery and technology. The USSR State Bank and the USSR Construction Bank grant credits on preferential terms to finance the work paid for out of this fund, including measures necessary for promoting science and technology not provided for by the plan. The United Fund is carried over from one year to the next and its means can be used only for the specified purpose.

Universal Equivalent, commodity which expresses the value of all other commodities, and for which all of them are exchanged. As different commodities are exchanged for the universal equivalent, its value appears as the universal form of value (see *Form of Value*). The need for a universal equivalent arose when commodity production reached a sufficiently high level of development, and trade became regular. From the entire mass of commodities, the product of labour spontaneously emerged, which has always been in great demand on the market. As a result, the direct exchange of one commodity for another was replaced by commodity circulation, under which sales and purchases are effected through a mediator — i. e., through a universal equivalent. Exchange fell into two connected acts: the producer initially acquired the universal equivalent in exchange for his own commodity, and then bought the commodity he needed in exchange for that equivalent. Depending on the conditions of production and exchange, different commodities have performed the functions of universal equivalent in different countries: grain, skins of wild animals, cattle, various metals, etc. As commodity production developed further and international trade expanded, precious metals — gold and silver, which became *money* — assumed the function of uni-

versal equivalent. Ultimately, gold took on the function of universal equivalent in all trade operations; paper money and other securities are also used as substitutes for gold in the process of circulation.

Use Value, the usefulness of an item, its ability to meet various requirements either as an article of personal consumption or as a means of production. Use value is determined by the physical, chemical and other natural properties of an item, as well as by properties imparted to it through man's purposeful activities. It is created through *concrete labour*. As science and technology develop, people discover new properties of things in the world around them and put them to use, in this way augmenting the multiformity of use values. Some things directly satisfy people's personal requirements, serving as articles of personal consumption (food, clothing, etc.), while others serve as means for producing material benefits, i. e., as the means of production (machines, raw and other materials, fuel, etc.). Use value is an inalienable property of any useful thing, regardless of the social form of production. Diverse use values "constitute the substance of all wealth, whatever may be the social form of that wealth" (Karl Marx, *Capital*, Vol. I, p. 44). However, the role of use value changes with the change in the *mode of production*. For instance, in commodity production use value is the bearer of exchange value that conceals value. The study of use value as such, i. e., the natural properties of things, constitutes the subject-matter of commodity research and other applied sciences. Political economy studies use value in the system of the social relations evolving in the process of production, distribution, exchange and consumption. The use value of a commodity must possess the property of satisfying the requirements of the commodity's buyer, i. e., it must function as social use value. In capitalist production use value is of interest to the capitalist only as the bearer of value and surplus value, since the immediate aim of capitalist production consists in extracting profit rather than in satisfying

human and social requirements. Under socialism use value becomes directly social. The creation of use values in a definite quantity, assortment and quality is directly designed to meet more fully the requirements of all members of society.

Usury Capital, a form of *capital* characteristic of pre-capitalist formations. It brings profit to its owner as high *interest*. Usury capital emerged at the time of the disintegration of primitive communal society and emergence of the slaveholding state. Small independent producers as well as slaveowners and then the feudal lords received loans from usurers. Usury capital enhanced the luxury and parasitism of slaveowners and feudal lords, and ruined small producers. The interest consumed some of the *necessary product* as well as the entire *surplus product* of the serfs. The development of usury capital contributed to the emergence of the *capitalist mode of production*. On the one hand, it resulted in the ruin and proletarianisation of small producers, who became hired workers; on the other, it led to the accumulation of *money capital*. Usury capital was the forerunner of *loan capital* which is the chief form of interest-earning capital under capitalism. Usury capital continued to play a significant role in colonial and economically dependent countries, and still exists in the developing countries. Usury in the form of small high-interest loans also exists in developed capitalist countries, but is usually illegal.

Utopian Socialism, theories and teachings of the radical and equitable restructuring of society on socialist principles that preceded scientific communism and that were unaware of the laws of social development and its motive forces. As a combination of ideas and schools of thought, it included Utopian Communism prior to the 18th century. The term "Utopian Socialism" originates from the title of the book *Utopia* (1516) by Th. More. Embryos of socialist ideas which contained aspirations for liberty were expressed in the Middle Ages as a reaction to the advent

of private property and the exploitation of man by man. The Utopian Socialism of the 16th century contained the initial elements of criticism of the nascent bourgeois society and the desire to build a genuinely humane society. The communist Utopias of More and T. Campanella (16th century) called for a society of reason that would be based on public property and the universal organisation of the economy. At the time of early capitalism (18th century) Utopian Communists (Gabriel Bonnot de Mably, Jean Meslier, Morelly) criticised bourgeois society and demanded the change to a society which would guarantee liberty and the benefits of life for all. After the French revolution of 1789-94 the French revolutionary François Noël Babeuf was the first to attempt a communist revolution and to prove the need for a proletarian dictatorship. A new school of critical Utopian Socialism emerged in the first quarter of the 19th century in the context of the increasing conflicts between the proletariat and the bourgeoisie. Because the working-class movement was still spontaneous, Utopian Socialism, which expressed the hopes and aspirations of the working people, was then popular. Its protagonists were Claude Henri Saint-Simon and Charles Fourier in France, and Robert Owen in England. Speaking of Utopian Socialism as the close forerunner of scientific communism, Lenin also noted its radical difference from scientific socialism. The Utopian Socialists criticised bourgeois society, envisioned its destruction, and fantasised about a better society. But "utopian socialism could not indicate the real solution. It could not explain the real nature of wage-slavery under capitalism, it could not reveal the laws of capitalist development, or show what *social force* is capable of becoming the creator of a new society" (V. I. Lenin, *Collected Works*, Vol. 19, p. 27). The main contribution of the Utopian Socialists was their criticism of capitalism, its vices, and its contradictions from a materialist position. Fourier saw the conflict between the bourgeoisie and the proletariat. Owen was aware of the exploitation of the working class. But what

they failed to comprehend was that class struggle was the motive force of the world development and the working class was to play a historical role in it. One of the merits of the Utopian Socialists was their historical approach to social development. They believed that the capitalist system was transitory, and demanded the creation of a new social system. But they saw the transition to socialism as the result of enlightenment and the spread of socialist ideas among the masses. They called on the bourgeoisie to restructure the world, but overlooked the working-class movement. In this they displayed an estrangement from politics. The Utopian Socialists dreamed of an ideal society where property would be publicly owned, where labour would be collective, and where distribution would be according to one's abilities. They envisioned the society of the future as a society of plenty which would insure satisfaction of human requirements and flourishing of the personality. On the other hand, they gave more attention to the details of such a society (especially Fourier) than to the means of attaining it. The valuable and progres-

sive in the teaching of the Utopian Socialists, their criticism of bourgeois system, contributed to the education of the workers. The embryos of the great ideas about the specifics of capitalism and of the future socialist system were highly appreciated by Marx and Engels. They assimilated everything valuable in the teaching of the Utopian Socialists and gave it a scientific explanation. In the context of developing working-class movement following the advent of Marx's theory, the ideas and practices of the successors of the Utopian Socialists became reactionary and hindered the organisation of the proletariat. In Russia, Utopian Socialism took the shape of peasant socialism but, unlike West European Utopian Socialism which rejected the revolutionary path of transformation, its ideas intertwined with revolutionary democratic ideas (see *Russian Revolutionary Democrats*). A. I. Herzen, N. G. Chernyshevsky, and N. A. Dobrolyubov hoped for a peasant revolution because the backwardness of the Russian economy at that time prevented them from seeing the true creator of revolutionary transformation — the proletariat.

V

Value, social labour materialised in commodities. Any commodity produced by human beings embodies their labour; however, it is only in certain historical conditions that labour assumes a socialised form of value. What is required is that labour must produce things that meet a certain human requirement — not that of the producer, but of others, who obtain these goods as users through *exchange*. When passing along the goods to each other in the process of exchange, buyer and seller treat them as equivalent values. In doing this they abstract themselves from the utilitarian properties of the exchanged goods, these properties being incomparable, and reveal what different commodities have in common: their socialised property — the labour embodied in them. Abstraction from the utility properties of goods means abstraction from the professional peculiarities of the labour which has created them, and the reduction of various kinds of *concrete labour* to labour independent of its concrete forms — *abstract labour*. Abstract labour is expended in the process of production, where it functions as concealed social labour, while revealing its socialised nature in exchange relations through commodity values. Thus, value, on the one hand, represents the productive consumption of labour in the physiological sense, i. e., the brain, muscles, nerves, etc, while on the other, it reflects the producers' relations of production which stand behind the relations of the goods they are exchanging. What value a commodity has is determined by the amount of labour that is socially necessary for its production, and is measured in terms of the *socially necessary work time* required for producing the commodity in the current normal conditions of production and with the current average level of skill and intensity of labour attained by society. In practice,

socially necessary working time is measured against the time consumed for the production of the given type of commodity by those producers who account for most of its production. Substantively, value is formed by the *simple labour* consumed, that is, the labour power expended by the average man without special training. Therefore, how great that value is depends on the relative complexity of labour. *Complex labour* functions as multiplied simple labour. Consequently, the more complex the labour is, the greater value it creates per unit of time. "The exceptionally productive labour," Marx wrote, "operates as intensified labour; it creates in equal periods of time greater values than average social labour of the same kind" (Karl Marx, *Capital*, Vol. I, p. 302). The socially necessary time materialised in commodities cannot be related to just so many hours or minutes. It can be expressed only indirectly, through exchange, in terms of another commodity. The exchange ratio signifies that both its parts represent equivalent values, and incorporate an equal amount of socially necessary working time. The normal social conditions of production are not immutable. They find their most concrete form of expression in the changing productivity of social labour. As a consequence, how great the value is varies in inverse proportion to *labour productivity*. The concept of value is the most generalised expression of the economic conditions of *commodity production* based on private ownership. Thus, value incorporates in embryonic form all the most advanced forms of money-commodity relations. Under capitalism, value exists as a result of the operation of *capital*, and is a measure of relations based on the exploitation of hired labour. The expenditure of *past labour* contained in the *means of production* consumed in manufacturing a product takes the shape of the value of the *constant capital* consumed, while the expended *live labour* is embodied in the value of the *variable capital* and *surplus value*. In a socialist economy, value is an expression of production relations among collective producers, who work for themselves and their

society. Based on public ownership of the means of production, their labour no longer bears the nature of private labour. It is planned on a national scale, and is genuine socialised labour. In this situation, value is the expression of the social labour embodied in the social product. And though various aspects of social labour under socialism still retain certain differences, these differences are not antagonistic. The socialist state plans the action of economic factors, and these influence the creation and movement of value in the desired direction. It uses value as one of the planning levers to control social production in the interests of its development, streamlining, higher economic effectiveness, and steadily rising living standards for the working population.

Value Composition of Capital, ratio of *constant capital* to *variable capital*. It varies both in connection with changes in the *technical composition of capital* and under the influence of other factors, including: 1) changing volume of constant capital due to the fluctuation in the *price of raw materials, fuel and other means of production*; 2) changing volume of variable capital (with a constant number of exploited workers) caused by the falling or rising of nominal wages. Therefore, value composition of capital should not be identified with the *organic composition of capital*. Moreover, the existence of the idea of the organic composition of capital itself is explained by the relative independence of the fluctuations in the value composition of capital from those of its technical composition. While the organic composition of capital is determined by its technical composition and responds to its fluctuations, the value composition of capital can sometimes change although the technical composition will remain the same. Therefore, the indicators of the value composition of capital can sometimes present a distorted picture of its productive capacity and expansion along with technical progress.

Variable Capital, part of the *capital* that the entrepreneur spends to purchase

labour power; its amount changes in the process of production. A worker at a capitalist enterprise creates *value* whose amount exceeds what the owner pays him in wages, i. e., he creates *surplus value* insofar as he works more than is necessary to produce the value of his labour power. Consequently, the value of the capital advanced to purchase labour power is not only retained in the process of creating new value, but increases by the magnitude of surplus value. The division of capital into *constant capital* and *variable capital* was first introduced by Marx. He showed that the worker, through his *concrete labour*, transfers the value of the expended means of production to the new product, and with his *abstract labour* creates new value containing the equivalent of the value of his labour power and surplus value which is appropriated without compensation by the capitalist. Surplus value is accretion of variable capital alone. In this way Marx revealed the real source of surplus value, the essence of capitalist exploitation and the immediate objective of capitalist production.

Voluntarism, Economic, a subjective-idealistic interpretation of economic phenomena and processes, considering people's consciousness and will as decisive in economic development; methods of economic management corresponding to this interpretation. The essence of economic voluntarism is its claim that the internal causes of society's economic development are the volitional (psychological) stimuli of the activities of people, and first of all of outstanding individuals. The existence of objective laws governing economic development is in principle denied. Economic voluntarism in one sense or the other is inherent in many concepts of bourgeois economics, particularly in the so-called theory of violence, social and legal concepts and subjective-psychological economic theories. Eugen Dühring tried to interpret society's economic development from the angle of the theory of violence; his views were sharply criticised from profound scientific positions by Engels. This theory is widely acclaimed in contemporary

bourgeois concepts that treat imperialism as an expansionist policy with no organic links with the capitalist economy. The theory of violence underlies the ideology and politics of fascism and its concept of an authoritarian economy to be managed by large monopolies merged with the fascist state. Economic voluntarism permeates many bourgeois social and legal concepts, which falsely declare that law and legal consciousness are the basis and the principal motive force of society's economic progress. The psychological subjective current in bourgeois political economy holds that political economy is concerned with the study of volitional and psychological motives of individuals engaged in economic activities, which are determined by their needs (see *Keynesianism*). Economic voluntarism is erroneous not because it recognises the active role of consciousness and will; historical materialism equally recognises ideal, volitional motives in economic activities, but unlike voluntarism, it does not consider them as the ultimate and principal causes of economic phenomena. Will is of no use if the material conditions, which are the result of the historical evolution of the production of the means of existence, are lacking. Marxism sees the profound and primary motive forces of economic development in the objective laws of material production. "The idea of determinism," wrote Lenin, "which postulates that human acts are necessitated and rejects the absurd tale about free will, in no way destroys man's reason or conscience, or appraisal of his actions. Quite the contrary, only the determinist view makes a strict and correct appraisal possible instead of attributing everything you please to free will" (V. I. Lenin, *Collected Works*, Vol. I, p. 159). In socialist society the economy is developed consciously and according to plan, which presupposes the consolidation of the will and unity of

action of the entire people aimed at achieving common goals. However, this does not eliminate the fact that material (those of the base) relations are primary and ideological (superstructural) relations are secondary. The transformative power of human volition on economic development under socialism consists of the possibility of scientifically cognising and applying in practice objective economic laws in a concrete historical situation. Here as well, ignoring objective laws may lead to economic voluntarism. The CPSU, guided by Lenin's thesis that politics is the concentrated expression of economics, has elaborated and implemented its economic policy at all stages taking into account objective realities and relying on the cognition and conscious application of the economic laws of social development. This policy is directed both against the voluntaristic ignoring of economic laws and against making a fetish of them, against spontaneity and laissez-faire in building socialism. The principal weapon in the struggle against economic voluntarism is the comprehensive development of the science itself, which fundamentally substantiates the system of objective laws governing the communist mode of production, as well as the economic mechanism of their operation and concrete application in economic practice. Of great importance in this respect is ensuring a high level of education standard for all those involved in the economy. If this standard is insufficiently high, a tendency to deal with all questions of economic organisation by purely administrative methods may arise. The CPSU has always fought against all manifestations of economic voluntarism both in theory and in economic practice; it is ensuring the Leninist style of work throughout the economy, i. e., a creative style, opposed to subjectivism and featuring a scientific approach to all social processes.

W

Wage Labour, the labour of workers in capitalist enterprises, who, for a certain wage, work for capitalists — owners of the means of production — and are exploited by them. Characteristic of the bourgeois system are economic forms of compulsion to work for exploiters. As distinct from the slave and the serf the wage worker is not personally dependent on the owner of the means of production and is legally free. He is, however, deprived of the means of production, has no source of subsistence and has to sell the only thing he does own — his *labour power*. In this connection, the relations between capitalists and proletarians are realised through commodity-money bonds and outwardly appear to be relations between free and equal commodity owners: sellers and buyers of labour power. All the worker can do is change one buyer of his labour power for another; he cannot break out of the system of wage labour dominant in capitalist society. The wage form of labour veils capitalist exploitation, giving the impression that the wage received by the worker (see *Wages under Capitalism*) is paid for all his labour. In fact, only the value of his labour power is paid for, i. e., the value of the means of subsistence required by the proletarian and his family for reproducing his labour power. Meanwhile, in the process of capitalist production, the worker creates not only *value*, equal to his labour power, but also *surplus value*, which is appropriated by capitalists without compensation. This serves as the basis for the antagonistic contradictions between the interests of capital and wage labour. With the development of bourgeois society, the army of the proletariat expands at the cost of the ruined small commodity producers — peasants, craftsmen and petty bourgeoisie. In the contemporary age, with science increasingly becoming a direct productive force, the intelligentsia in capitalist countries more and more swells the ranks of wage labourers

and its social interests interweave with those of the working class. Although there is a fundamental difference in the positions of different groups of the intelligentsia, an ever growing part of it comes into conflict with the monopolies and with imperialist government policy. The drawing closer together of the interests of the intelligentsia and those of the working class and the growing cooperation between them help in narrowing the social groundwork of the power of the monopoly bourgeoisie, aggravating its inner contradictions and stepping up the struggle waged by the popular masses against imperialism. The struggle of the working class against capitalist exploitation intensifies during the development of capitalist production and the material and subjective prerequisites are created for eliminating the system of wage labour. This system is eliminated completely as a result of socialist revolution and the scrapping of the capitalist relations of production.

Wage Rate, expenditure on wages calculated for a definite volume of finished output; a form of planning of the wage fund designed to intensify the dependence of payment for the labour of every worker and the work collective on improvement of the final results (see *Final Results of Production Activity*) of work, and stimulate its effective use. In the USSR, wage rates are approved for five-year and current plan periods (in the section pertaining to labour and social development). Wage rates are stable and are not revised in the course of the five-year plan period without good reason. When determining wage rates, progressive, technically substantiated rates of labour inputs are used, based on the achievements of advanced technology and production techniques, modern methods of management and scientific organisation of labour. The stimulating role of the wage rate per rouble of output is ensured by establishing a closer interdependence between the dynamics of the volume of output, labour productivity and the wage fund. This procedure for planning the wage fund stimulates the development of tight plans, an even distrib-

ution of production over the months and quarters of the year and over the years of a five-year plan period, the use of progressive methods for organising and paying for labour. Money saved in the wage fund (against the set rate) is transferred at the end of the year to the material incentive fund (provided the production plan is fulfilled and labour productivity increased). When the wage fund is overspent, additional means are transferred from the material incentive fund to cover the deficit (within the limits of the economies of wages transferred to this fund in the previous year). This procedure intensifies the stimulating functions of the wage system as a whole and makes the collective interested in rational expenditures of both the wage fund and the material incentive fund. The wage rate per rouble of output is used in the branches in which the main factors determining the dynamics of the wage fund are stable (the quality of the raw and other materials, and the structure of the output do not change), and the seasonal factor is absent. In the USSR, in the Eleventh Five-Year Plan (1981-1985), wages are planned according to the rate for most engineering branches, for the building materials industry and for the timber and wood-processing industry. When setting wage rates for production associations (enterprises), ministries differentiate these rates within the limits of the rate established for the ministry, taking due account of how tight the given tasks are for the most important indicators.

Wages under Capitalism, a converted form of the value (and consequently of price) of a specific commodity, *labour power*, i. e., man's ability to work. The worker sells the capitalist his labour power and gets wages in exchange. Superficially it may seem that it is not labour power that is sold, but its function — labour. Wages appear as payment for work performed. In fact, labour is not a commodity, so it cannot be either bought or sold. If labour were a commodity, it would have a value. But as labour acts as a source and yardstick of value, it itself can have

no value. Wages under capitalism conceal the economic dependence of wage workers on the bourgeoisie and mask relations of exploitation. They create the illusion that the worker is paid for all the labour expended, though, in fact, the wages the capitalist pays are at best the price of labour power, while he appropriates the rest of the value produced by the worker in the form of *surplus value*. Wages conceal that the working day is divided into necessary and surplus labour time (see *Necessary Working Time*; *Surplus Working Time*). There are two main forms of wages — time wages and piece wages. In the former, the amount of the worker's pay depends on the actual time he works; in the latter, on the number of articles produced. The form of wages employed depends on the specific organisational and technological conditions of production and certain social factors (national traditions, the degree of the organisation of the working class, etc.). Time wages can be in the form of hourly, daily, weekly or monthly payments. Time wages enable the capitalist to lower the price of hourly or daily labour and to force the worker to increase working time, or he can prolong working time beyond its normal limits or increase the *labour intensity* in order to lower the price of a working hour or day. In both cases, the capitalist appropriates increased surplus value. Piece wages constitute a converted form of time wages. On the basis of experience or a time study of the worker's labour, a work quota is established, i. e., the number of articles the worker is to produce in an hour or day, working with an average degree of intensity or skill. A piece rate is also established, this being payment to the worker for producing a unit of output, estimated by dividing the hourly (or daily) price of labour by the hourly (or daily) work quota. The daily wages of a piece worker producing one and the same type of product are determined by multiplying the piece rate by the number of articles he produces daily. Piece wages create the impression that the worker's entire labour embodied in the product is paid for and that the amount of wages is

determined exclusively by the worker's ability. In this way, relations of capitalist exploitation are veiled to an even greater extent. To get higher wages, the worker has to do his job with greater intensity. The capitalist piece-rate system triggers competition among workers and results not only in greater labour intensity, but also in growing *unemployment*. Piece wages are being replaced by time wages under the impact of technical progress and the struggle of the working class in some of the developed capitalist countries. Various wage systems exist within the framework of each of the two main forms of wages. For instance, varieties of time wages are the system when two or more rates are established on the basis of the level of output attained by the worker, that of rated daily output, in accordance with which time wages are retained but the initial basic wage of the worker is periodically raised or lowered depending on the level of output and other indicators of labour efficiency reached by the worker over a certain period (three or six months). In the past few years, some workers, first and foremost skilled workers, have been transferred to monthly wages, partly or fully receiving the status of office workers. The so-called sweating systems of piece wages, including piece-recourse and differentiated or charge payment, were especially widespread in the early 20th century. Nowadays these systems have given way to different types of time wages used previously and new systems of piece-rate wages, including "bonus" and multi-factor forms of wages. They make wages dependent on the level of output, the quality of products, savings of raw and other materials, up-time ratio, and adherence to or improvement of the given parameters of the technological process. These systems require an even greater expenditure of physical, nervous and intellectual energy from the workers. The size of payment either remains the same, however, or grows insignificantly. Various types of collective bonus system are also used, given primarily for a rise in labour productivity, frequently in the form of "profit-sharing". What the workers

receive are in fact not their "share of the profits" allegedly parceled out by the capitalists, but part of their own wages, which is paid not regularly but at the capitalists' discretion, its size depending on the level of declared profits. Capitalist enterprises make use of wage differentials for skill and open or camouflaged discrimination in payment on grounds of sex, age, race, nationality, religion, etc. The sum of money received by the worker for the sale of his labour power is called nominal wages. They should be distinguished from real wages, which are the quantity of use values (goods and services) that the worker can actually buy at a given level of prices with his money wages, after taxation and other deductions. A widespread method of additional exploitation of the working class is the lowering of real wages by raising prices, especially of mass consumption goods, the rent, communal service tariffs, fares and so on, and growing taxation of the working people. This is especially true today, when inflation has reached an unprecedented scale in the capitalist countries. Regarding wages as one of the main items of production costs, capitalists are constantly seeking to reduce them. As a result, wages tend to fall below the value of labour power. The workers struggle to force capitalists to raise them and the outcome of this struggle is eventually determined by the balance of class forces.

Wages under Socialism, the bulk of the necessary product, which is produced in enterprises owned by the whole people and goes into the working people's personal consumption in the form of money, in accordance with the quantity and quality of the labour expended by them in social production. As an economic category, wages express socialist *relations of production*, in particular relations between society as a whole and the employees of state enterprises, and also between the workers and work collectives with respect to the distribution of the bulk of the *necessary product*. Wages amount to the working people's share of the personal consumption fund within the *national income*. As can

be seen, the level of wages depends on the national income, the personal consumption fund and the worker's labour input. Under socialism, wages differ fundamentally from *wages under capitalism*, which constitute a converted form of the value and price of labour power and express relations of exploitation. Expanded reproduction of labour power under socialism is also carried out through consumption from social funds. Growing wages and *social consumption funds* provide the basis for raising the living standards of the working people. A distinction is drawn between *nominal wages* and *real wages*. The *real incomes of the population under socialism* include, in addition to wages, benefits and allowances met through the social consumption funds. The real incomes of the working people are steadily growing thanks to stable state *retail prices* of consumer essentials, constantly rising minimum wages, rates and salaries of shopfloor and office workers, and the growing social consumption funds. The state specifies the general terms of remuneration for labour on a centralised basis and regulates the size of wages. In doing so, it seeks to ensure that correct account be taken of the quantity and quality of work, to stimulate the growth of labour productivity, improvement of the quality of products and a rise in the efficiency of production. This is effected through the tariff system (see *Tariff System under Socialism*), the application of different forms and systems of wages and means from the *economic incentives funds*. The main forms of wages are piece rates and time payment. Piece rates depend on the volume of output of a certain quality and have the following forms (systems): direct piece rates, indirect piece rates, progressive piece rates, piece rates plus bonus, and payment by job. Depending on the form of labour organisation (see *Organisation of Social Labour*), every one of these systems can be individual or collective (team). When time payment is applied, earnings are made dependent on the actual length of time worked and the worker's skills. There exist a simple time-payment system and a time-payment plus

bonus system. With the further mechanisation and automation of production, the share of time payment (especially of the time-payment plus bonus system) is growing and collective systems of payment are being used more widely. In most economic sectors, wages consist of two parts, the wage scale (basic) and the supplementary (see *Tariff Part of Wages*). The forms and systems of wages are improved and the rise in wages is ensured on the basis of the priority growth of *labour productivity* compared with rises in wages, of the greater dependence of the size of payment on the final results (see *Final Results of Production Activity*) of work and of enhancement of the role of wages as an incentive for raising labour productivity and the *efficiency of social production*, speeding up *scientific and technical progress*, improving the quality of products and lowering the *cost of product*. To improve wages, the Soviet state undertakes to promote the system of the material incentives to workers, depending on the results of their work; in most sectors enterprises are to set up wage funds on the basis of wage rates per rouble of output (see *Wage Rate*), they are empowered to use part of the wage fund saved to pay bonuses for doing more than one job, for performing a given quota of work with a smaller number of workers and for top performance and skills.

Way of Life, the mode of vital activity (existence) in human society, social groups and communities (family, nation, nationality, etc.), strata and classes, corresponding to a definite social system. The category "way of life" concretises generalising concepts reflecting vital activity of society as a whole (for instance, *socio-economic formation*, *mode of production*, superstructure, etc.), and also the laws and categories characterising certain of its aspects, such as laws of distribution, consumption, exchange, reproduction, several sociological laws. The study of social relations makes it possible, in connection with the way of life, to take into account their socio-class structure, and to deeply and fully reveal essential character-

istics of the vital activity of a part of society. This brings to light the methods and forms in which general laws and essential concrete historical features of the economic, political and cultural life of society are interpreted in the way of life of the people, their collectives, social groups, communities, strata and classes. The objective foundation of the formation of and change in the way of life of a certain social group is rooted in its economic position, determined by the socio-economic system and mode of production. Marx, Engels and Lenin, evolving the category of the way of life, proceeded, above all, from the position of certain classes or social groups. The economic position is the totality of the objective conditions, which includes social and production conditions, the standard of living, the degree of the development of everyday services, education, public health, etc. The economic position predetermines the objective forms of life, work and everyday life of the people, social groups and classes typical of the given concrete historical conditions. The character of involvement in production activity is the determining factor for the entire way of life. Being a decisive component of the economic position, it actively influences the formation of the entire way of life, the type of behaviour, specifics of communion, the direction of thoughts, aspirations, motifs and actions of people in a society. Marxism-Leninism considers it groundless to seek for a single way of life for all members of society if in that society there are opposing classes and considerable differences in the socio-economic position of the people, groups and classes. On the contrary, bourgeois sociology tries to ignore the class approach to the way of life, and to replace it by supra-class and apolitical treatments. The popularisation of the so-called American way of life is a vivid example. There are also distinctions in the way of life within classes. Lenin noted: "Every social stratum has its own way of life, its own habits and inclinations" (V. I. Lenin, *Collected Works*, Vol. 20, p. 476). However, inter-class differences are not as deep as those characteristic of the way of life of antagonistic classes.

As regards certain inessential forms of vital activity, they may be widespread in all or many groups and classes of society, creating the style of life. Bourgeois ideologists are especially zealous in passing similar features in the life style of different classes, strata and groups for the similarity in the vital aspect, for a single way of life. The socialist revolution, by abolishing private ownership of the means of production, thus laid the foundations for forming a new way of life, radically differing from that in capitalist society. With all the differences in socio-economic position and modes of vital activity of the classes, strata and groups in socialist society, there is a unity, a community of principle, i.e., the presence of basic similar features in their vital activity. This allows us to speak about the socialist way of life, characteristic of the way of life of a worker, a member of an agricultural cooperative (collective farmer) and an intellectual. The socialist system is the objective basis of the socialist way of life. The public ownership of the means of production, the absence of exploitation of man by man, planned economic development, universal and compulsory labour, socialist democracy, communist ideology and internationalism are just some of the vital features of socialism which presuppose the way of people's thoughts, feelings and conduct. The most essential aspects of the way of life in socialist society are: attitude to public property from the positions of joint owners of production, the desire to strengthen and multiply it; unbreakable bond between the people's vital activity and their active participation in socially useful labour; the increasing merging of the basic features and forms of vital activity of different social groups; comradely mutual assistance and cooperation, *socialist emulation*, collectivism in relations between people; the maximum satisfaction of the material and cultural requirements of the members of society; the feeling that society needs you, the optimistic attitude to one's future, an inner conviction that one's own destiny is fused with that of one's socialist land; profound and effective humanism; an eventful inner life, an active

creativeness, which includes knowledge and understanding of all the genuine achievements of world civilisation; lofty moral ideals and the ideological and political unity of society, ensuing from the vital unity of the interests and aims of classes, and other strata and social groups of socialist society. The socialist way of life develops and is being improved in a planned way as a component of the implementation of the social policy of communist and workers' parties and the state.

Wholesale Price, the price of industrial produce, at which state enterprises (associations) sell their products in large quantities to other enterprises (including collective farms), supply and sales organisations and retail enterprises. In Soviet industry, there are two kinds of wholesale prices: wholesale prices of enterprises, and those of industry, which reflect the stages of the movement of commodities from producer to consumer. The wholesale price of an enterprise reimburses its production costs (see *Costs of Socialist Enterprises*) and ensures the enterprise's necessary profit (see *Profit of Socialist Enterprises*.) At this price, enterprises ensure that their products reach each other and supply and sales organisations. In certain industries (engineering, chemical, etc.) only the wholesale price of an enterprise is now used. The industrial wholesale price is of two kinds: without the *turnover tax* and with the turnover tax. The former price reimburses the expenses of the supply and sales organisations in buying products from producer enterprises, the sales and transport expenditures of these organisations, and also includes their profit. This price, besides the wholesale price, also includes the retail margin to the benefit of the supply and sales organisation. At this price the *material and technical supply* organisations ensure that the means of production bought from the producer enterprises reach the consumer enterprises. Supply and sales organisations sell to trade organisations certain kinds of products (mainly, consumer goods) at the industrial wholesale prices that include the turnover tax. Wholesale prices are the main

link in the system of planned prices. Over half of the entire social product is sold in the USSR at these prices. The rate of the net product (see *Rated Net Product*) is calculated on the basis of the wholesale prices. They perform the following functions: plan-accounting (accounting for the socially necessary expenditures of labour, which ensures that every normally functioning enterprise is reimbursed from incomes by realising products and that it receives profit); stimulating (price aids society to ensure a better material position for most progressive branches, producers and consumers of new machinery, and more effective articles); distributive (aided by the turnover tax, included in the price of certain kinds of products, this redistributes surplus product between various industries); supply and demand accounting. The latter concerns, first of all, critical goods or, on the contrary, those in excess. Because of the *scientific and technological revolution* the conditions of manufacturing goods constantly change, making it necessary to revise wholesale prices once every five-year period. The main currents in improving wholesale prices are: their closer dovetailing with socially necessary labour expenditures, their lowering through reducing the expenditures of material and labour in production, use of less expensive materials, cutting cost price, setting encouraging increases for the wholesale price of new and highly-effective products of production-technical designation and reductions in the wholesale price for the manufacture of second category products and those not certified in a set term. When setting wholesale prices for new articles, especially machines and equipment, their level has to be reduced by unit of useful effect (for instance, per unit of power of an engine, productivity of equipment, etc.).

Workday Unit, a specific economic category used in the USSR for measuring the labour inputs of collective farmers and their participation in the individual consumption fund. In the USSR, the workday unit was introduced in the early 1930s. It played an important role in implementing

the economic *law of distribution according to work done* and boosting the interest of collective farmers in the results of their labour. The workday unit was used to evaluate jobs of various complexity. The number of workday units determined the work participation of every farmer in the social economy. The specifics of payment for farmers' work, determined by *collective farm-and-cooperative property*, as well as the essential differences in the levels of economic development of individual farms led to members from different collective farms receiving different numbers of workday units for one and the same job. The worth of the workday unit was determined only at the end of the economic year. The need for the workday unit was determined by the specific historical conditions and the level of development of farm production. As the latter gained in strength and became increasingly socialised, its commodity capability increased and farm profits grew, the conditions arose for paying farmers monthly wages (see *Payment for Work on Collective Farms*).

Working Day, the time of day during which the worker is engaged at the enterprise he is employed by. The social nature of the working day is dictated by the existing *relations of production*. The working day is divided into *necessary working time* and *surplus working time*. Under capitalism this division is antagonistic, and reflects the desire of the capitalist to obtain the highest possible *surplus value* through extending the surplus time. The maximum length of the working day under capitalism depends on two factors: on the physical limit of using labour power, because the worker needs time for sleep, rest, eating, and the satisfaction of other physiological needs, and on socially defined spiritual needs, since the worker needs also time for satisfying his spiritual and social needs, whose extent and nature depend on the overall status of culture in his country and on the degree to which the proletariat is organised. In the final analysis the length of the working day is a function of the balance of forces in the

struggle between the capitalists and the proletariat. The actual length of the working day is significantly influenced by *labour intensity*, the extent of *unemployment*, the level of *real wages*, and the phases of the industrial cycle (see *Cycle, Capitalist*). In the capitalist countries the excessively long working day which some working people have to accept exists side by side with underemployment and unemployment. Reduction of the working day is concurrent with increased intensity of work and exploitation of the working class. It is only through a socialist revolution, the elimination of the capitalist system, and the seizure of political power by the working class that normal conditions for work and recreation are possible, along with the gradual reduction of the working day and a simultaneous improvement in living standards. Under socialism, all working time, both necessary and surplus, becomes time for working for oneself and society. There is no antagonistic conflict, as under capitalism, between the two parts of the working day. At each stage of development, socialist society determines in an orderly way the length of the working day with a view to guaranteeing the fuller satisfaction of the growing material and spiritual requirements of society members with due regard for the existing level of productive forces, the productivity of social labour, the need for greater production, the domestic and international situation, etc. Under socialism, the normal working day presumes normal intensity of labour, which is dictated by *scientific and technical progress* and the need to effectively use *production assets*; at the same time it must guarantee socially acceptable conditions for the functioning of *labour power*, and the harmonious development of the working people's abilities. Within the framework of the specific context and tasks of building communism, the socialist state reduces the working time through various ways, such as reduction of the working day, reduction of the working week (increasing the number of holidays), and reduction of the number of working days in a year (lengthening paid leave). Reduction of the working day under socialism

improves working conditions and increases the spare time (see *Spare Time under Socialism*) of the working people. In this way better conditions are created for the harmonious development of members of socialist society and their active involvement in the political, economic, and cultural life of the country. The chief prerequisite for reduction of the working day under socialism is the constant growth of social labour productivity. The working day is reduced in the context of full employment and the constantly rising real incomes of the working people. Gradual shift-over to a shorter working day and extension of the spare time of the working people is an inherent feature of advanced socialist society evolving into communism.

World Capitalist Economic System, an aggregate of the economic complexes of capitalist countries linked by the international capitalist division of labour (see *Division of Labour, Capitalist International*). The economic links between capitalist countries are implemented by means of the international movement (migration) of capital, goods, labour power, gold and monetary resources (see *Migration of Capital; International Trade; Migration of the Labour Power, International; Monetary System of Capitalism*). The world capitalist economic system emerges following the transition of capitalism to *imperialism* as a result of the development of large-scale capitalist industry in many countries, of the international division of labour and of the world capitalist market (see *World Market, Capitalist*), the export of capital and the subjugation of economically less developed countries by a small group of imperialist powers. "Capitalism," Lenin wrote in 1920, "has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of 'advanced' countries" (V. I. Lenin, *Collected Works*, Vol. 22, p. 191). Under imperialism, one of the major features of the world economy is the concentration of the productive forces in a few imperialist

states. Another feature is the huge and widening gap between the levels of economic development of the major imperialist powers and the economically less developed countries. The third feature is the fierce competitive struggle between multinationals for markets, and for spheres of capital investment and high profits. The *colonial system of imperialism* was a part of the world capitalist economic system. The inherent features of the world capitalist economic system is uneven development, which results in some countries coming to the fore at the expense of other countries. At the same time, there is always a desire on the part of those that lag behind to recover the lost ground by launching an assault against their rivals. Another feature is its spontaneous nature, non-equivalent exchange between the industrially developed and agrarian countries to the detriment of the latter. With the victory of the Great October Socialist Revolution in Russia, the capitalist system ceased to be the only system in the world: the *world socialist economic system* has emerged and is developing. The sphere of the capitalist economy is shrinking. During the period of the *general crisis of capitalism* and the disintegration of the colonial system of imperialism, the world capitalist economic system has been plagued by a crisis. The sphere of domination by the *financial oligarchy* of the major imperialist countries is becoming smaller. The system of international economic relations inherent in capitalism is being undermined. The countries that have cast off the shackles of colonialism are fighting for a *new international economic order*. At the same time, the imperialist monopolies are trying to retain their positions by maintaining their domination over the developing countries through new forms of inter-state monopoly organisations and *neo-colonialism*. The rapacious plunder of the world's natural resources by the transnationals led the world capitalist economic system by the mid-1970s into profound structural crises — energy, raw materials and economic. The unstable character of the capitalist economy and uneven economic development have led to a crisis

in the financial and monetary system of imperialism. As a consequence of the struggle by the revolutionary working-class movement and the national liberation struggle, some countries have fallen away from the capitalist system of world economy and embarked on the *non-capitalist path of development*, resulting in the further reduction of the international financial oligarchy's domain and in the deepening of the crisis in the world capitalist economic system.

World Division of Labour, in today's situation, the division of labour between all countries, including those belonging to opposite social systems. Historically it emerged as a result of the development of the international capitalist division of labour (see *Division of Labour, Capitalist International*) and its evolution into a world system. After the socialist revolution had triumphed in Russia and several socialist countries emerged in Europe and Asia, inter-state relations of a new type arose — the international socialist division of labour (see *Division of Labour, Socialist International*), with the result that the international capitalist division of labour lost its universal character. Even though the two types of international division of labour exist, there is still a world division of labour, which underlies the economic relations between countries belonging to different economic systems; there is also the *world market*. The international socialist division of labour is being formed with account of the world division of labour, which hinges on historical and geographical factors, and on the presence of different kinds of natural resources. But the main reason for the development of the world division of labour today, given the growing scale and complexity of production, is the need for international specialisation and cooperation, not only within the framework of each of the two world economic systems, but also between them. Apart from that, each of the two socio-economic systems is objectively interested in the exchange of scientific and technological experience, products of

modern industries, results of scientific research, and research and development projects. So a division of labour is needed not only in the sphere of production, but in the sphere of scientific work as well. Opportunities arise for countries to cooperate in more rationally using electric power resources by transferring electric power to one another during peak hours, in rationally utilising the seas and oceans to develop fishing, etc. The enhancement of the world division of labour involves the extension of *economic cooperation between socialist and developing countries*, and of *economic ties between socialist and developed capitalist countries*.

World Market, in current conditions, the sphere involved in the exchange of commodities and services between all countries, including those belonging to opposite social systems. The expansion of capitalism and the drawing into world economic circulation of all the countries of the world to one extent or another resulted in the emergence of the world capitalist market (see *World Market, Capitalist*). The victory of the socialist revolution in Russia and subsequently in other countries led to the appearance of the world socialist market (see *World Market, Socialist*). The two world markets are based on the two systems of the international division of labour — socialist and capitalist (see *Division of Labour, Capitalist International*; *Division of Labour, Socialist International*). The functioning of the socialist and the capitalist world markets and the corresponding systems of the international division of labour does not preclude economic relations between countries belonging to different social systems. Lenin characterised the ties that the young Soviet Russia developed with the capitalist countries as follows: "There is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is world general economic relations, which compel them to make contact with us" (V. I. Lenin, *Collected Works*, Vol. 33, p. 155). Economic rela-

tions between countries belonging to the two world social systems are based on the development of the *world division of labour*, which creates objective conditions for establishing stable trade relations on the world market, extending *economic ties between socialist and developed capitalist countries, and economic cooperation between socialist and developing countries*. Certain political factors are also conducive to relatively favourable conditions for developing the world market: of considerable importance is the collapse of the colonial system of capitalism and the emergence of a large group of young states which are engaged in the struggle against imperialism and are interested in expanding cooperation with the countries of the socialist community. Successes achieved during the 1970s in the policy of detente facilitated the development of economic relations between countries belonging to the two world systems. In their attempt to stop detente from developing further and limit economic ties with the socialist countries, the most reactionary imperialist circles, those of the USA in the first turn, encountered strong resistance by people around the world, business communities included, particularly in Western Europe. In the 1960s and 1970s the world market was noted for the high growth rates of commercial and other economic relationships between the socialist countries on the one hand, and the capitalist and the developing countries on the other. The extension of economic links between countries belonging to the two world systems generates certain conditions needed for producing and selling commodities and services on the world market, and the emergence of particular organisational forms, e. g., conclusion of long-term inter-state economic and trade agreements, production cooperation agreements, etc. The socialist countries are fighting to establish stable, mutually beneficial and genuinely equitable relations on the world market with no discrimination or imperialist exploitation. The growing role that the socialist countries play in world economic relations has spelled the end of the imperialist powers' monopoly of the foreign trade of their

former colonies; conditions are being created which enable the young states to become economically independent from the imperialist powers. Participation in world trade serves to make production more effective through the development of international specialisation and cooperation and the stimulation of technical progress by applying the advanced experience other countries have attained.

World Market, Capitalist, the sphere of exchange among capitalist countries linked by *foreign trade* and other forms of economic relations, based on the capitalist international division of labour (see *Division of Labour, Capitalist International*). It emerged in the 16th-17th centuries, in the period of the *primitive accumulation of capital*. The world market was responsible for the triumph of the *capitalist mode of production* and the development of large-scale capitalist industry, which, in its turn, created the tendency to internationalise production and exchange, develop flexible international economic ties, expand the international division of labour. Its formation was completed at the stage of *imperialism*. In the attempt to receive highest profits, monopolies conclude agreements among themselves to divide the world markets of the most important goods. The division of the world market of industrial raw materials between the monopolies or the *economic division of the world* became the most important trend of imperialism. Lenin used the name "super-monopoly" to describe the agreement on the division of world commodity markets by the biggest monopolies. The economic laws of capitalism operating in the *world capitalist economic system* also determine the laws of the development of the capitalist world market. Domination and subjugation, and the economic enslavement of economically less developed countries by imperialist states are characteristic of it. The economic law of anarchy and competition operates on the world capitalist market. There is a fierce struggle between the imperialist powers and monopolies for spheres to in-

vest their capital, for markets and sources of raw materials. The operation of the law of the uneven economic and political development of capitalism in the age of imperialism and the aggravation of market problems lead to acute competitive struggle to redivide markets and spheres of influence. In the period of the general crisis of capitalism, the formation of the world socialist economic system a world socialist market (see *World Market, Socialist*) has appeared alongside the capitalist world market with fundamentally new features. There now exists a *world market* with trade in commodities manufactured in the countries of the two world social systems. The narrowing of the sphere of capitalist exploitation, the fact that many countries have fallen away from capitalism and chose socialist development, and the disintegration of the colonial system aggravate contradictions on the capitalist world market. Imperialism tries to resolve them by the international state-monopoly redivision of the capitalist market, in which capitalist economic integration plays an important role (see *Integration, Economic Capitalist*). Since World War II amalgamations of the capitalist states have emerged, such as the European Economic Community, European Free Trade Association. However, all the attempts by the governments of capitalist countries to ease inter-imperialist contradictions have failed. Differences arise in new forms and contradictions flare up with new force.

World Market, Socialist, the sphere of planned commodity and monetary relations between sovereign socialist states. It emerged as a result of the formation of the world socialist economic system, which made it necessary to establish broad economic and foreign trade links between the socialist countries. It is a part of the *world market* alongside the world capitalist market (see *World Market, Capitalist*). As the socialist world market develops its impact on the capitalist and world markets steadily increases. The satisfaction of the requirements of every socialist country in commodities manufactured in other socialist

countries on the basis of the socialist international division of labour (see *Division of Labour, Socialist International*) is an important feature of the socialist world market. The principal features of this market are the planned commodity turnover through long-term (usually five-year) intergovernmental agreements and annual protocols; steady trade growth and perfection of the trade structure; higher market capacity and stability; and the relative stability of contract prices. The socialist world market, which handles most of the socialist countries' foreign trade, is free from the spontaneous influence of the capitalist economy, play of prices, trade competition, and fluctuating exchange rates and customs barriers. The market thus becomes an important factor for extending and intensifying cooperation between the socialist countries, helps to raise and even out their economic development levels, and improve the wellbeing of the working people. The scientific and technological revolution, the expansion and perfecting of cooperation, and the development of socialist economic integration have created considerable changes in the commodity structure of the socialist world market. The share of industrial products with a higher proportion of finished products, such as machines, plant, chemical and consumer items, etc., increases in export and import, while the share of raw and other materials, fuel and foodstuffs is declining. At the same time the range of consumer goods is expanding and their quality improving. The forms of settlement between socialist countries improve as the turnover of the socialist world market increases. Settlements are made through the International Bank for Economic Cooperation, primarily, in the form of multilateral settlements in a special unit — *transferable roubles*. Alongside this the socialist countries establish economically substantiated and mutually agreed exchange rates in relation to the common currency and between each other. This system of settling accounts allows every socialist country to balance all the income and expenditure without resorting to the dollar or any other capitalist currency. As a result, money circulation in the socialist world

market is free from the crisis phenomena of the capitalist monetary system. Credit relations, in which part of the accumulation fund is shifted from one country to another for a certain term, are developing extensively among the socialist countries. Credits are primarily repaid with commodities exported by the given country. In certain cases debtors' liabilities are cancelled. This lends credits qualitatively new features which are different from credit relations in the capitalist world. The development of the socialist international division of labour, *coordination of the national economic plans of socialist countries*, and the specialisation and cooperation of production in the process of the extending integration of the CMEA member countries ensure a high growth rate of their trade. While developing the trade in every way possible, the socialist countries conduct an active policy of expanding trade on the basis of equality and mutual advantage with capitalist and developing countries.

World Socialist Economic System, combined national economic complexes of sovereign socialist states tied closely together in comprehensive economic and scientific cooperation, the international socialist division of labour (see *Division of Labour, Socialist International*), and the world socialist market (see *World Market, Socialist*). The world socialist economic system emerged as the result of the operating of objective laws of historical development. Even within the capitalist system, there appear material conditions for the emergence of a world socialist economic system, in terms of the objective tendency towards the internationalisation of economic relations. Lenin noted that "a tendency towards the creation of a single world economy, regulated by the proletariat of all nations as an integral whole and according to a common plan ... has already revealed itself quite clearly under capitalism and is bound to be further developed and consummated under socialism" (V. I. Lenin, *Collected Works*, Vol. 31, p. 147). The international socialist division of labour produces this relationship of the production facilities of several countries, which leads to a special

community of economic life moulded by the effect of the *economic laws* of socialism. And thus a world socialist economic system is crystallised. Economic relations within this system represent inter-state economic relations of a new type founded on complete equality, national independence, sovereignty, and fraternal mutual assistance and cooperation. The community of socio-economic system, comradely cooperation and mutual assistance in the economic, political and cultural spheres are very clearly manifested in the principle of socialist internationalism, which means the coordination of the interests of each country with the interests of the entire socialist community, and the relevant adjustment of the national and international economic components. Meanwhile, each socialist country tries to achieve the maximum use of its own internal resources to benefit cooperation with the fraternal countries and consolidate the world socialist system. Dominating in the countries forming the world socialist economic system are socialist *relations of production*, social property in the means of production which provides a solid ground for their close systematic cooperation in the sphere of economic relations and for the consistent coordination of their economic development. Systematic cooperation is realised above all in the *coordination of the national economic plans of socialist countries*, the joint planning of certain industries and types of production, as well as drawing up *long-term special cooperation programmes*, and implementation of the coordinated plans for integration projects. Contrary to the world capitalist economic system, where the *law of the uneven economic and political development of capitalism in the age of imperialism* operates, the law of the world socialist economic system is the *evening out (rapprochement) of the economic development levels of the socialist countries*. Thanks to the generous assistance and cooperation of other socialist countries, formerly less developed countries are able to accelerate their development and raise their economic level to that of more developed countries. The advance of the world socialist economic system is stable and

dynamic. The most diversified and solid ties within the world socialist economic system have been established among the member countries of CMEA. Now the socialist community has become the most dynamic economic force in the world.

Cooperation among the socialist countries united in the *Council for Mutual Economic Assistance* has reached the next, higher stage made possible by their economic integration (see *Integration, Economic Socialist*).

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