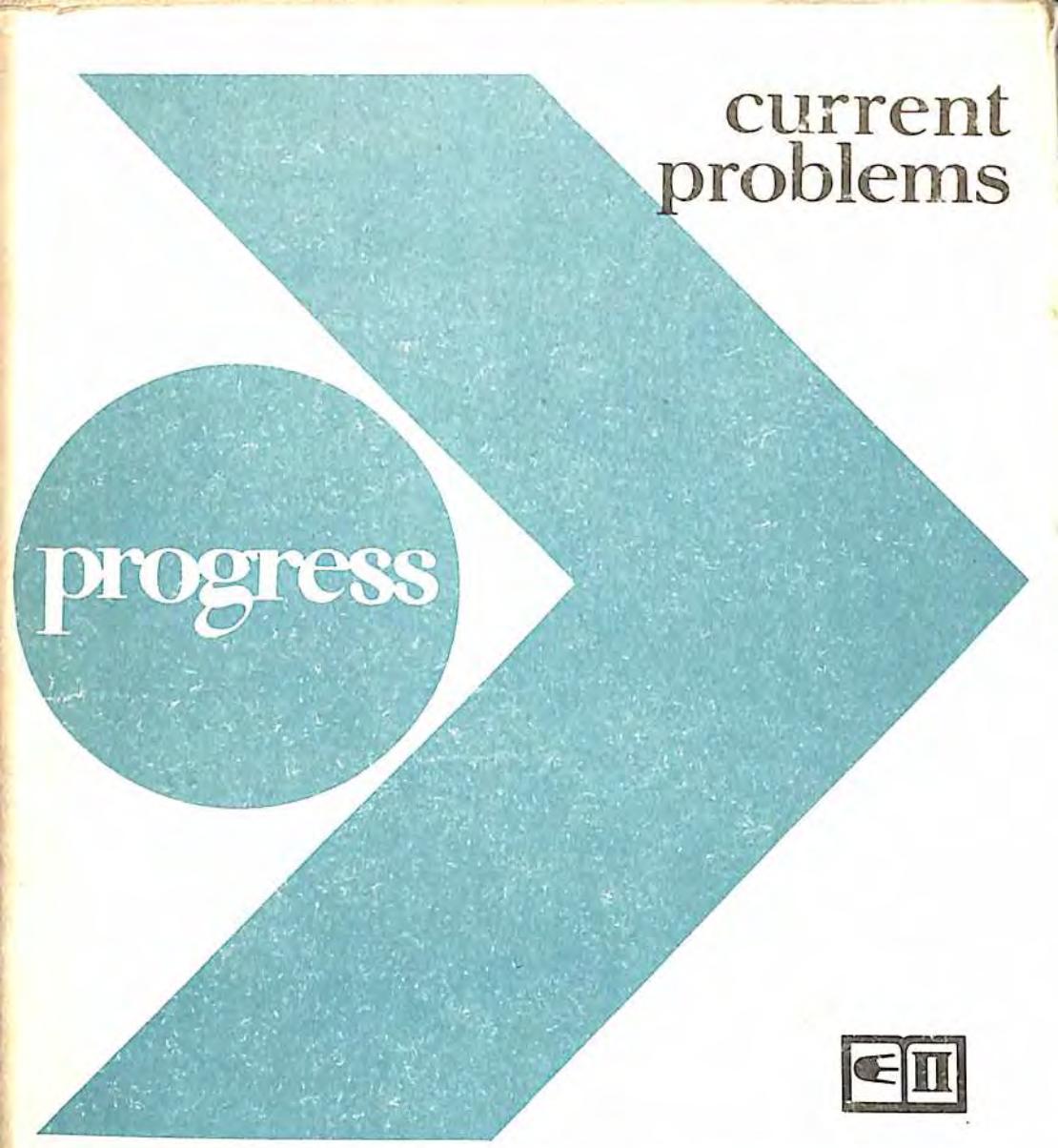


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K. MIKULSKY

**Lenin's Teaching
on the World Economy
and Its Relevance
to Our Times**

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**PROGRESS PUBLISHERS
MOSCOW**

CONTENTS

К. И. МИКУЛЬСКИЙ
«ЛЕНИНСКОЕ УЧЕНИЕ О МИРОВОМ ХОЗЯЙСТВЕ
И СОВРЕМЕННОСТЬ»

На английском языке

| | |
|--|-----|
| Lenin's Teaching on the World Economy. The Strategy of Socialist Revolution | 7 |
| World Revolutionary Process and World Economy | 31 |
| The Experience of Building up Productive Forces Within the World Socialist Economy | 64 |
| The Present Stage of Economic Development in the CMEA Countries in the Light of Lenin's Ideas on Raising the Efficiency of the Socialist Economy | 105 |
| Socialist Economic Integration—Embodyment of Lenin's Ideas of a World Co-operative | 148 |
| Socialist Economic Co-operation and Efficient Social Production | 191 |
| Leninist Theory of Imperialism and the Growing Crisis of the World Capitalist Economy | 238 |
| Capitalist Integration and the Growing Contradictions of the World Capitalist Economy | 262 |
| Disintegration of Imperialism's Colonial System and the Place of the Developing States in the World Economy | 277 |
| Scientific Revolution and Economic Competition | 303 |

First printing 1975

© Translation into English. Progress Publishers 1975

Printed in the Union of Soviet Socialist Republics

M 11103 - 323 - 585-73
014(01) - 76

LENIN'S TEACHING ON THE WORLD ECONOMY THE STRATEGY OF SOCIALIST REVOLUTION

The entire course of social history in this century has convincingly demonstrated the great vitality of Lenin's teaching. When Lenin developed and enriched the ideas of Marx and Engels, he created a harmonious theory of world socialist revolution and a strategy of struggle for radical social transformation of the world and for the triumph of communism throughout the globe. The grandiose class battles of this century, the emergence and consolidation of the world socialist system and the giant strides made by the national liberation movement are just some of the revolutionary actions that show how humanity is rapidly progressing along a path which is indissolubly linked with the name of Lenin and which testify to the triumph of his ideas. Leninism is Marxism in the epoch of imperialism and proletarian revolution, the epoch of colonialism's break-down and national liberation advance, the epoch of transition from capitalism to socialism and the construction of communist society; it is the strongest ideological weapon of the international working class and all progressive mankind in the struggle for a better future.

All genuine revolutionaries find a reliable compass in Lenin's evaluation of the revolutionary possibilities in the contemporary era and of the major motive forces of world social progress, in his analysis of the general crisis of capitalism, formulation of the ways of socialism's emergence and development as a social system and as a world community, in his ideas on the prospects for building communism and creating a "single world co-operative" of working people. They help us to understand the social essence of the far-reaching changes that are taking place in the contemporary world, to unite all revolutionary forces, to be able to determine the prospects of

world revolutionary movements and to find the most likely paths leading mankind to social and national liberation and to the triumph of socialism and communism.

Events have confirmed the international importance of Leninism. However diversified the conditions of the struggle being waged in various countries against imperialism, for a new society, victory has been assured and will be assured only by following the fundamental Lenin's precepts and their creative development. The experience of the class and national liberation struggle ineluctably confirms the value of a Leninist approach to studying social development, to elaborating the strategy and tactics of revolutionary action, and the Leninist method of understanding and changing the world in a revolutionary way. The International Meeting of Communist and Workers' Parties held in Moscow in 1969 said in its Address on the "Centenary of the Birth of Vladimir Ilyich Lenin": "Today we have every justification for saying about Lenin's teaching what he himself said about Marxism: it is omnipotent, because it is true. Marxist-Leninist theory and its creative application in specific conditions permit scientific answers to be found to the questions facing all contingents of the world revolutionary movement, wherever they are active.

"Loyalty to Marxism-Leninism, to this great international teaching, holds the promise of further successes of the communist movement."¹

Lenin's ideas on the development of the world economy constitute an important component of his overall teaching on revolutionary social change. These ideas are an inalienable element in a scientific substantiation of prospects for a socialist renovation of the world, the strategy and tactics of socialist revolution and socialist construction. Like Marx and Engels, Lenin approached the objective and subjective conditions for revolutionary change and their implementation in the light of world social development, not of a particular country in isolation. An analysis of the development of the world productive forces and international economic relations, and of the laws for forming and developing the world economy was, and still remains, an essential prerequisite for a correct evaluation of the balance of class forces in every country and the trends of its development, the potential for a revolutionary situation to mature and the path that revolution

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, Prague, 1969, p. 41.

will take in any one country, and the prospects for building a new society. The documents of the Communist International (Comintern), of post-war international communist forums and of Marxist-Leninist parties, in conformity with a Leninist approach, provide a profound analysis of world development, the shifts in the international class balance of power, the prospects for the world revolutionary process with account for the dynamics of world economic ties, and the trends in the world economy and laws of development in the two opposing world economic systems. The 24th Congress of the Communist Party of the Soviet Union, which took place in March 1971, attributed great importance to this analysis. The Congress summed up the experience of the world socialist system over a quarter of a century, pinpointed the basic elements that characterised the growing contradictions of contemporary capitalism and examined the progress of the international working-class movement and the popular struggle for social and national liberation. It revealed the mounting revolutionary potential today and the prospects for the further revolutionary transformation of the world on the basis of an analysis of world development, including that of the world economy.

Behind the tactics and strategy of Marxist-Leninist parties lies Lenin's idea that the present-day revolutionary process is universal. A world capitalist economy developed as free-enterprise capitalism grew into imperialism; it is notable not only for a regular trade between individual states, but international migration of capital and manpower and an international exchange of scientific and technological information. Individual national economies have ultimately become links in the world capitalist economy and have been included in the system of international economic relations based on the international capitalist division of labour. National economies have become interdependent and interlinked. The process of socialisation of production is accelerating on both an international and national scale. The internationalisation of economic affairs, which manifests itself as the internationalisation of reproduction of social capital, has led to a situation in which the world capitalist economy has become an area of international exploitation of hired labour, a competitive struggle among various capitals and the plunder of the weak by the strong.

The creation of the world capitalist economic system signified, at the same time, the complete transformation of the antagonistic contradiction between labour and capital into an

international contradiction that went beyond the bounds of individual states and enveloped the whole capitalist world.

In his analysis of capitalist development, Lenin underlined the presence of two tendencies: "The first is the awakening of national life and national movements, the struggle against all national oppression, and the creation of national states. The second is the development and growing frequency of international intercourse in every form, the break-down of national barriers, the creation of the international unity of capital, of economic life in general, of politics, science, etc.

"Both tendencies are a universal law of capitalism. The former predominates in the beginning of its development, the latter characterises a mature capitalism that is moving towards its transformation into socialist society."¹ In so far as the latter tendency is realised under capitalism in coercive forms—by means of the subordination and exploitation of some countries by others, more advanced—an irreconcilable contradiction exists between these two tendencies which is ineradicable as long as capitalism survives. This contradiction has engendered a powerful national-liberation movement which, despite the assurances of opportunists, is incapable of shoring up the world capitalist system of domination accelerating the development of capitalist social relationships intensively or extensively; on the contrary, it is becoming part and parcel of world revolution, it is debilitating imperialism and shaking the world capitalist economy to its very foundations.

Lenin taught us to regard the national liberation movement in the context of class struggle and to see it as an ally of the international working-class movement, in as much as colonial domination is, in essence, also the social oppression of the working people in colonies and dependencies. In looking to the future of the national liberation movement, Lenin foresaw that, in new circumstances, this movement would inevitably bring about the downfall of colonialism and reveal in full measure its potential as an anti-imperialist force that would bring the peoples social as well as national liberation. He emphasised that these opportunities would be guaranteed by uniting the revolutionary struggle of the proletariat, the activities of those countries that had taken the socialist road and the national liberation movement into a single stream of world-wide anti-imperialist struggle: "The foreign policy of

the proletariat is alliance with the revolutionaries of the advanced countries and with all the oppressed nations against all and any imperialists."¹ That is how Lenin formulated the policy line aimed at the closest collaboration of all present-day revolutionary forces. His ideas concerning the unity of anti-imperialist forces have become the fundamental revolutionary strategy and tactics of all real fighters for social and national liberation.

Lenin uncovered the principal features of world capitalist economic crisis and, in particular, elaborated the tactics and strategy of world socialist revolution on that basis.

Marxism-Leninism is founded on the idea that the maturation of conditions for a victorious socialist revolution is of an extensive international, even world, rather than isolated national nature. The world capitalist economic system has evoked the formation, internationally, of a contradiction between the developing productive forces and the capitalist relations of production that have become a brake on their development. The conditions of social development in individual states are forming through the direct influence of this world-embracing contradiction.

In his analysis of the development of the world capitalist economic system and in his discovery of the law of the uneven economic and political progress of capitalism in the imperialist era, Lenin came to the conclusion that "the victory of socialism is possible first in several or even in one capitalist country alone".² This conclusion differed from the idea that Marx and Engels had earlier formulated concerning the simultaneous triumph of proletarian revolution in all civilised states. Lenin's further elaboration of Marxist theory was based, on this vital issue too, on the changes which were taking place as a result of pre-monopoly capitalism growing into imperialism, the completion of the world capitalist economic system and the growing complexity of the laws of its development.

Although the entire world capitalist system has generally matured today for socialist revolution, it can no longer triumph simultaneously in all states, as Lenin pointed out, due to the contemporary unevenness of economic and political development of certain elements in the world capitalist system; socialist revolution will occur where all the contradictions of

¹ V. I. Lenin, *Collected Works*, Vol. 20, p. 27.

² V. I. Lenin, *Collected Works*, Vol. 25, p. 87.
Ibid., Vol. 21, p. 342.

capitalism have become most acute. The weakest link of the capitalist system can be (and, as history has shown, has actually been) a country or groups of countries which are not among the most developed capitalist states; it may be a country which has reached an intermediate or even a low level of economic progress. That is not to say, however, that an economically developed state cannot be such a link.

Russia in 1917 happened to be the weakest link in the world capitalist chain and the Great October Socialist Revolution was directly followed by socialist revolutions in several parts of Central and Eastern Europe—although they fell prey to international imperialist reaction. Meanwhile, Soviet Russia for several years remained the only country where socialist revolution had been completely carried through. Lenin underlined the inevitability of the further growth in the world revolutionary process and a fresh upsurge in the international revolutionary movement even at the exceedingly difficult time when the first socialist state in the world found itself within a capitalist encirclement and under the constant threat of imperialist intervention.

The Leninist theory of world socialist revolution has always contained the idea of the internationalisation of the proletarian dictatorship and of the creation of a world socialist system, a socialist community of peoples. Lenin formulated this idea particularly in the theses for the Second Comintern Congress in which he advanced the task of "converting the dictatorship of the proletariat from a national dictatorship (i. e., existing in a single country and incapable of determining world politics) into an international one (i. e., a dictatorship of the proletariat involving at least several advanced countries, and capable of exercising a decisive influence upon world politics as a whole)".

Lenin emphasised the immense part that would be played by the working people of the country which would first begin to build socialism; he indicated their historic mission of showing an example of social liberation to the proletariat of other countries, attracting the workers to their side and joining together with them in firm unity. Back in 1915, he wrote in his article "On the Slogan for a United States of Europe", that "after expropriating the capitalists and organising their own socialist production, the victorious proletariat of that country will arise *against* the rest of the world—the capitalist

¹ V. I. Lenin, *Collected Works*, Vol. 31, p. 148.

world—attracting to its cause the oppressed classes of other countries".¹ In the early years of Soviet power, Lenin foresaw the course of revolutionary development in the world and wrote that "more and more diverse federations of free nations will group themselves around revolutionary Russia. This federation is invincible and will grow quite freely, without the help of lies or bayonets".²

In showing ways in which world socialist revolution would develop, he put forward the idea of a non-capitalist way of development for economically backward countries. At the Second Comintern Congress, in 1920, he made a report on the national and colonial questions in which he rejected the assertion that the capitalist stage of economic development was inevitable for all backward states which emancipated themselves from colonial and semi-colonial oppression and in which progress would occur. His reasoning was that the backward states could receive assistance from the proletariat of developed states in order to move through certain stages to communism, bypassing the capitalist stage. These ideas opened up the prospect, for the peoples in the colonies and dependencies, of avoiding the tortuous process of capitalist development. They were also based on an analysis of the all-embracing process of decay of the world capitalist economic system, on the vanguard role of the entire international proletariat within the world revolutionary movement and on the possibility of, and the need for, a firm alliance of all modern revolutionary forces.

Lenin has to his credit a profound analysis of the paths of development of socialism as a world system. His works contain fundamental tenets on the ways and means of building socialism within a single country, the balance between general and specific practical aspects in the transition to socialism, and the principles of relations between peoples and states that have begun to build socialism, the paramount trends in the world socialist economic system and the laws of relationships between the socialist and the capitalist world system.

Lenin's doctrine of world revolution is based on the prospect of the long retention of national and state differences while socialism is being built in a group of countries, even after the establishment of proletarian dictatorship throughout the world. Lenin is known to have criticised the false idea that "the

¹ V. I. Lenin, Vol. 21, p. 342.

² Ibid., Vol. 26, p. 481.

democratic state of victorious socialism will exist without frontiers ... that frontiers will be delineated" only "in accordance with the needs of production".¹ He therefore accorded prime importance to formulating correct relations between socialist nations and states, and to creating international relations of a new type. He wrote: "We want a *voluntary* union of nations—a union which precludes any coercion of one nation by another—a union founded on complete confidence, on a clear recognition of brotherly unity, on absolutely voluntary consent. Such a union cannot be effected at one stroke; we have to work towards it with the greatest patience and circumspection, so as not to spoil matters and not to arouse distrust, and so that the distrust inherited from centuries of landowner and capitalist oppression, centuries of private property and the enmity caused by its divisions and redissions may have a chance to wear off."²

Not only did he analyse the processes of socialisation of production under capitalism that exceeded national boundaries, he also held out the prospect of these processes taking place *within* a world socialist economy. He uncovered the objective foundations of the internationalisation of economic affairs under capitalism and socialism; at the same time, he showed the fundamentally different social content of such processes in the circumstances of the existence of opposing world social systems which displayed different forms and methods. He revealed the social and economic consequences of these processes in the socialist and capitalist worlds. It is interesting to note that the progressive action of states becoming economically closer, which emanates from the needs for the productive forces to develop and encourages economic growth, can only be completely manifest under a progressive social system. Lenin wrote that "already under capitalism, all economic, political and spiritual life is becoming more and more international. Socialism will make it completely international".³

Marxism-Leninism is based on the premise that the internationalisation of social affairs, progressive development towards overcoming political and economic barriers between states and the general coming together of nations, all this presupposes the simultaneously free development of nations

and states. Lenin stressed that one of socialism's aims was not only the coming together of nations, but their fusion; for this to happen, there is need for a "transition period of the complete emancipation of all oppressed nations".¹ It is thus on the basis of the free and sovereign development of nations and states and in the process of this development that the basis is laid for their voluntary co-operation, convergence and, then—in the long term—their fusion in a higher communist unity.

Lenin gave special importance to the economic, the ultimate root and determining factors of development of the mutual relations between socialist states. He emphasised that, under socialism, the working people themselves would nowhere consent to seclusion for purely economic motives.² He outlined the prospects for a developing socialist community that followed from the trend "towards the creation of a single world economy, regulated by the proletariat of all nations as an integral whole and according to a common plan. This tendency has already revealed itself quite clearly under capitalism and is bound to be further developed and consummated under socialism".³

His whole conception of the world revolutionary process was based on the fact that the struggle between the two social systems was the focal point of the contemporary era. In this struggle, socialism was destined to do everything possible to secure peaceful coexistence between states with different social systems for the sake of protecting the cause of revolution and all humanity. Socialism was also destined to prevail over capitalism in peaceful economic competition and in the ideological struggle. The sphere of international economic relations was declared to be one of the most important areas of the rivalry between the two systems.

Lenin's doctrine of the world economy is the foundation-stone of modern Marxist-Leninist theory of world economy. It is not simply a theory that explains the social essence, mechanism of functioning and contradictions of the world capitalist economic system; it is a theory of its revolutionary change, of the creation of the world socialist economic system and its growth into a world-wide communist economy.

¹ Ibid., Vol. 22, p. 324.

² Ibid., Vol. 30, p. 293.

³ Ibid., Vol. 19, p. 246.

¹ V. I. Lenin, *Collected Works*, Vol. 22, p. 147.

² See V. I. Lenin, *Collected Works*, Vol. 22, p. 339.

³ Ibid., Vol. 31, p. 147.

Experience of revolutionary change over the last half century testifies to the fact that Lenin's ideas on world economic development remain an important theoretical weapon of Communist and Workers' Parties in their revolutionary struggle and in building socialism. The peoples of the socialist states have accumulated collective experience in organising a world socialist economy. The crisis of the world capitalist economy has gone even deeper and young national states are beginning to play a new part in the major social and economic processes. The Communist Parties are creatively developing Lenin's ideas on the basis of the changing world and making their contribution to Marxist-Leninist theory concerning world economic problems.

The immense transforming impact of Lenin's ideas on the world economy becomes increasingly apparent with every passing decade. L. I. Brezhnev, General Secretary of the CPSU Central Committee, has said in his report *Lenin's Cause Lives On and Triumphs*: "It is enough to glance at the world we live in today to become convinced how accurate were Lenin's socio-political analysis and his forecasts based on this analysis, and how fully life has borne out their correctness in all essential features."¹

Experience has confirmed the law-governed nature of the overall tendency of the present era—that of the movement of all peoples towards socialism. The establishment and consolidation of the world socialist system has been a practical confirmation of Marxist-Leninist theory. Experience has completely rejected the invention of capitalist ideologists that socialism is some sort of chance phenomenon that arose in the specific circumstances of Russia, that the socialist system can find ready soil only in economically backward countries. The world socialist system now has experience of socialist construction in both agrarian and industrial countries, in both colonies and semi-colonies and in countries which were among the developed capitalist states, including a country like the German Democratic Republic whose territory had been part of one of the world's chief imperialist powers.

Thanks to the existence of the world socialist system and, particularly, to the achievements of the Soviet Union, the building of socialism has become a real possibility for all countries, irrespective of the size of their territory and population, irrespective of their level of economic development at the

¹ L. I. Brezhnev, *Lenin's Cause Lives On and Triumphs*, Moscow, 1970, p. 54.

moment of people taking power. This possibility is assured by the fraternal assistance to the less developed states by more advanced socialist countries and by the solidarity of members of the socialist community. Socialist society is successfully being built by those countries within the community which had begun to resolve this task at an extremely low level of productive forces and among which some, before the revolution, were at a pre-capitalist stage of development—countries with strong vestiges of feudal or even tribal society.

The strengthening of the world socialist economic system is a salient feature of world socialist development today. The socialist system presupposes community of basic aims and paths of social development in each member of the community, including the goals and directions of improving production and community of basic interests of all socialist peoples. The tasks of building socialism and communism imply a need for their solidarity and concerted action in all areas of life, including the economy. The process that Lenin foresaw of bringing socialist states closer together economically is developing successfully. It is based on objective laws inherent in the world socialist system, the development of the socialist productive forces and the vital interests of all socialist states.¹

It is a law-governed process in which mutual ties and the mutual dependence of national economies form and grow strong. The socialist states come closer economically in the course of the equal and mutually beneficial co-operation and mutual assistance. It is based on combining the national interests of each state with their overall interests, at the same time strictly observing the sovereign rights of each participant; this helps to enhance the efficiency of social production in each state. The greater harmony of development of the national elements in the world socialist economy and the guarantee of a more and more balanced growth of this economy constitute the only possible path for attaining the economic goals of each member of the community in the shortest possible time and with the minimum expenditure of effort and funds. The mounting progressive historic trend towards unification in a single economic entity is expressed in the international economic proportions, formulated deliberately and in a planned way, within the socialist community and the growing ties in the development of the national economies of the socialist states.

¹ *The Road to Communism*, Moscow, 1962, pp. 581-82.

Lenin's ideas lie behind the principles of mutual economic relations of the socialist states. They include the following:

- (a) close co-ordination of national and state interests with international, overall interests; the completely voluntary nature of co-operation; equal rights of all parties to co-operation; the observance by each country of its internationalist duty as a member of the socialist community, which completely corresponds to its vital interests;
- (b) the combined efforts of each country in its economic policy in promoting its national economy with an extensive collaboration with fraternal states, an unbreakable unity and mutual dependence of these two aspects of the process of socialist economic advance, which find expression, in particular, in a combination of the overall national economic development with rational international specialisation;
- (c) overcoming, within the socialist community, consequences of the old international division of labour that had developed before power was taken over by the people, the formation and strengthening of a new, socialist division of labour that completely corresponds to the interests of every socialist state;
- (d) the combination of mutual assistance and mutual benefit from economic co-operation and, in particular, the extensive collaboration of economically developed states for industrialising the less developed ones; the implementation of joint measures for improving economic efficiency of co-operation for each participant nation, the growing role of economic efficiency in the development of ties between national economies;
- (e) a combination of planned administration of external economic activity within each state and joint co-ordination of economic plans of the various states with the application of commodity-money relations, and cost levers—with the planned basis having the leading and decisive role;
- (f) the domination, in the socialist system, of international economic relations incorporating the rational use of contacts with third parties outside the community.

Lenin's theory of socialist revolution and socialist construction has as its integral constituent the concept of proletarian, socialist internationalism, this serves as the cornerstone of the theory and practice of relations between socialist states. Lenin regarded the solidarity of peoples fighting for socialism and communism as one of the decisive conditions for success. He

¹ V. I. Lenin, *Collected Works*, Vol. 20, p. 34.

made the point that "in place of all forms of nationalism—Marxism advances internationalism, the amalgamation of all nations in the higher unity".¹ He regarded socialist internationalism as particularly important in the fight for proletarian dictatorship against counter-revolution and imperialist intervention, in the fight to form a political alliance of states that had gained their social emancipation and, last but by no means least, in the fight for their economic co-operation. He many times stressed the need, in the interests of overall progress, for close collaboration between the economies of countries which had taken the socialist road. He advocated the forming of an inter-state economic alliance for the balanced development of the socialist mode of production on an international scale. His propositions on these issues reflect the objective need for the building of socialist society, they are founded on an analysis of the laws of social development, including those of the growth of the socialist economy as a world economic system.

As events have shown, the imperative need, during the development of socialist states, for consistent realisation of the principle of socialist internationalism grows rather than diminishes. This is attributable to the nature and the scope of issues being tackled by the socialist states as they build socialism. One can say today that the development of a national economy will, at each new stage, increasingly depend on progress in the economic coming-together of fraternal states, on the unification of production and scientific efforts throughout the socialist community. Socialist economic integration, therefore, is today in the centre of attention of Communist and Workers' Parties in the socialist states. This is attested to, above all, by the work to extend mutual economic co-operation which is being carried out by member countries of the Council of Mutual Economic Assistance (CMEA).

Of particular importance for the world socialist economy was the programme adopted unanimously at the 25th Session of the Council in July 1971: the Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries. The Programme mapped out the goals, tasks and methods of promoting multilateral economic relations among the Council members as applied to the specific conditions of the current stage of socialist and communist construction in these states.

¹ V. I. Lenin, *Collected Works*, Vol. 20, p. 34.

Lenin's ideas on correctly combining national tasks with internationalist duties within the international communist movement and the community of socialist countries are pivotal to a resolution of the whole gamut of problems involved in consolidating the political and economic unity of socialist states.

Marxism-Leninism excludes the possibility of any national tasks being counterposed to international tasks of socialist construction, or any national interests countervailing international interests of socialist states. It provides scientific criteria for combining the national interests of socialist states and the common interests of world socialism, which enable them most fully to realise national interests precisely by attaining the common goals of the socialist community. Therein lies the great vitality of the ideas of socialist internationalism. Both in politics and in economics, a correct combination of national and international tasks is an earnest of the successful progress of world socialism. This combination implies primarily a strict account of the interests of consolidating and improving socialism in a given country and in all other fraternal states, greater unity and coherence of the world socialist system on the principles of Marxism-Leninism. Such is the vital, class criterion that Communists must be guided by in all their activity; such is the principal decisive requirement for correctly combining national and international tasks.

The interests of the working class and the radical interests of all working people building socialism become truly national interests with the establishment of the new social system. A complete coincidence of national interests on decisive issues occurs on this new class basis with the international victory of socialism. The above-mentioned CMEA session issued a Communiqué which stressed: "The successes in the development of the CMEA member countries, the entire activity of the CMEA, testify to the enormous possibilities of the socialist social system and the international socialist division of labour, demonstrate the great efficaciousness of the joint actions of the socialist states, their ability jointly to discover the most expedient solutions of complex problems which help to consolidate the might of the entire socialist community."

¹ Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries, Moscow, 1971, p. 8.

Marxism-Leninism maintains that possible divergencies over details—that occur because of objective, yet transitory, circumstances—should never hamper this vital community of purpose and interest among the socialist peoples. This was one of Lenin's major behests. Marxist-Leninist parties quite rightly consider that this is the only way to work out a correct and scientifically substantiated, politically tested common policy for the long-term development of the world socialist community, particularly the world socialist economy. Only such an approach will enable us to use for the international triumph of socialism and communism the new motive force of world social development—the class solidarity of national detachments of the working class in power. The balanced co-operation of labour of the peoples in the socialist states—that new and exceedingly powerful factor for increasing the productive forces of socialist states—can develop only on that basis.

The all-round strengthening of the world socialist economy is at once a national and an international task of each socialist country. It is an invariable prerequisite for the growing might of world socialism and of the economy of each socialist state taken separately. On the basis of Lenin's teaching, the Communist and Workers' Parties in the CMEA states strive not to let escape from the multiplicity of current economic tasks any vitally important long-term task whose resolution increasingly demands their close co-operation. At the present time, the practical realisation of this policy signifies primarily the consistent implementation of socialist economic integration.

The Comprehensive Programme stressed that member states would improve economic, scientific and technological co-operation and socialist economic integration for the purpose of encouraging the following:

- (a) the more rapid development of the productive forces in all CMEA member countries, the achievement of the highest scientific and technological level and the maximum increase in the economic effectiveness of social production, and also a maximum growth of the productivity of social labour;
- (b) the improvement of the structure and the growth of the scale of production, attended by a steady rise in the technical equipment of branches of the economy and the introduction of progressive technology in accordance with the requirements of the scientific and technological revolution;
- (c) the satisfaction in the long run of the national economic requirements of countries for fuel, power and raw materials,

modern equipment, agricultural, food and gustatory commodities and other consumer goods mainly through the production and rational utilisation of the resources of the CMEA member countries;

(d) the rise in the material and cultural level of the peoples of the CMEA member countries;

(e) the gradual drawing closer together and evening out of the economic development levels of the CMEA member countries;

(f) the growth of the capacity and stability of the world socialist market;

(g) the strengthening of the positions of the CMEA member countries in the world economy and ultimate victory in the economic competition with capitalism;

(h) the strengthening of the defence capability of the CMEA member countries.

The development of the world socialist system is connected with the consolidation of the unity of the socialist community and its growing might.

Marxist-Leninist parties are consistently guided by the need to take account, in all their activity, of the goals and tasks of the international working class, the need for concerted action in the anti-imperialist struggle; they try to instil in the people an awareness of the indissoluble unity of national and international tasks of building socialism, the fusion of patriotism and internationalism, a sense of responsibility for the fate of the world socialist system and the entire international revolutionary movement.

The world socialist system is a living example of the practical implementation of Marxist-Leninist ideas concerning the community of free peoples. It is an offspring of the international proletariat, its major achievement. The attainments of the working people under socialism in building their new society multiply the forces of the international revolutionary movement.

The international relations of a new type inherent in the world socialist system make it possible to abolish the contradictions that are insoluble under capitalism in developing ties between nations and states. Instead of relations of rivalry and competition, domination and subordination, that are characteristic of the capitalist world, socialist states have firmly established relations of genuine equality and mutual respect for the sovereign rights of each country. Instead of relations of economic *diktat* and plundering of the national

wealth of economically backward states by their more advanced partners, there have developed relations of mutual assistance for improving the productive forces of each country, the close collaboration in resolving difficult tasks of raising the economic efficiency of production, of disinterested assistance of more advanced states to those which inherited economic backwardness from capitalism. For the first time in history, international relations under socialism have actually become a factor for fortifying the sovereignty of each country participating in them, for a more rational use of national resources, the evening-up of economic development levels on the basis of the more rapid economic growth of previously backward countries to the standard of the more advanced.

The emergence of a new, socialist type of international relations does not occur automatically, without difficulty. It is not so easy to obliterate the consequences of many centuries of national prejudice and mistrust sown by the exploiting classes. It is only possible gradually to overcome the problems which have divided peoples in the past. The vestiges of national exclusiveness and nationalist "throw-backs" can occasionally deal a serious blow to the cumulative spirit of international solidarity in relations between socialist countries.

The Marxist-Leninist parties pay much attention to the fight against nationalism, one of the last levers which anti-socialist forces try to manipulate. National narrow-mindedness and the counterposing of narrowly understood national interests to the interests of the entire socialist community, and the ignoring of the decisive part played by the unity of the countries in the world socialist system, the ignoring of the common laws of socialist construction and collective experience of peoples in the socialist community are seen, with complete justification, as a serious menace to socialist achievements.

Life has no ready answers to the complex issues involved in forming a new type of inter-state relations. It requires much work by Communist and Workers' Parties, an able combination of the national interests of each socialist state with their overall interests. All these tasks can be successfully tackled through a Marxist-Leninist policy and loyalty to the principles of Proletarian internationalism.

L. I. Brezhnev, speaking at the 24th CPSU Congress, said: "The experience accumulated over the quarter-century also makes it possible to take a more profound and more realistic approach in assessing and determining the ways of overcoming objective and subjective difficulties which arise in the construc-

tion of the new society and the establishment of the new, socialist type of inter-state relations. Given a correct policy of the Marxist-Leninist parties, the common social system, and the identity of basic interests and purposes of the peoples of the socialist countries make it possible successfully to overcome these difficulties and steadily to advance the cause of developing and strengthening the world socialist system....

"At the same time, it is known that some difficulties and complications have continued to appear in the socialist world, and this has also had an effect on the development of relations between individual states and the Soviet Union. However, this has not changed the dominant tendency of strengthening friendship and cohesion of the socialist countries. On the whole, our co-operation with the fraternal countries has been successfully developing and strengthening in every sphere."¹

The objective laws of socialist development intensify the action of factors leading to a stronger socialist community. The process of levelling out the common front of socialist development in the sphere of social change and the growing similarity of the social class structure between the socialist countries are leading to a further growth in community of basic features of the social and economic systems, unity of interests and aims. The close connection and mutual dependence of the development of all members of the socialist community are enhanced by the extensive construction of the material and technological basis of the new societies, the successes that they have attained leading to narrowing the gap between the levels of development of productive forces, the need for a rapid resolution of new tasks and the economic difficulties they encounter.

Events have shown that the success of each socialist state encourages the faster development of all others. The Comprehensive Programme emphasises that all-round development and the strengthening of each socialist state is a decisive condition for the progress of the entire world socialist system. Successful economic development and improvement in social relations of each socialist country correspond to the interests of the common cause of socialism. This encourages a growth in the objective need for extending multilateral economic co-operation between the socialist states and widening the possibility of their coming closer together economically. The tasks of forming a socialist and communist awareness among

the populace cannot be completely achieved without a genuinely internationalist education. Finally, the imperialist reaction that strives to do everything possible to hinder the victorious advance of socialism also dictates the need for the socialist states to be united. Without reinforcing the solidarity of socialist states it is impossible to campaign successfully for the foreign policy goals of the socialist community—a lasting peace and security for the peoples, the thwarting of imperialist aggressors, the creation of external conditions conducive to socialist and communist construction.

The conditions in which the activities of Communist and Workers' Parties in individual socialist states work are, of course, extremely diverse. These countries are still at different stages of social and economic development and their productive forces are at different levels. Hence the differences in current tasks which the Parties are tackling, the forms and methods of their activities. Nonetheless, with a strict observance of the principles of internationalism, the common interests of the communist movement and socialist co-operation, with mutual respect and fraternal support, there can, and must, be no friction in the mutual relations of Parties and states that would weaken their solidarity.

In the new circumstances, in the situation of rapid changes in the balance of class forces both within individual states and on a world scale in favour of socialism, and as more extensive and complex economic problems appear corresponding to the higher level of economic development, the demands have considerably grown for Communist and Workers' Parties, and for socialist states to map out a course to follow in the sphere of home and foreign policy. The International Meeting of Communist and Workers' Parties in 1969 recorded that "...the utilisation of the tremendous possibilities opened up by the new system depends on the Communist Parties in the leadership of the state, on their ability to resolve the problems of socialist development in the Marxist-Leninist way".

It is of particular importance today to take timely account of the new phenomena, correctly to evaluate them and to make a corresponding adjustment to the ways and means of building socialism; it is important to be able to enrich Marxist-Leninist theory with fresh conclusions. The many diverse problems being tackled by socialist states manifest themselves differently

¹ 24th Congress of the CPSU, Moscow, 1971, p. 10.

22. ¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p.

in the specific situation of individual states. Consequently, the methods of resolving them often differ depending on the objective social and economic conditions, on the degree of theoretical and practical mastery by Party and state leadership in a particular country of the economic laws of socialism (although the latter circumstance also depends, to some extent, on the conditions of a country's development). Today, it has become even more vital to be able correctly to apply the general principles of Marxism-Leninism in specific national conditions, to understand national interests and to see their indissoluble connection with the common interests of the entire socialist community.

The Central Committee report to the 24th Party Congress stated that "... the present-day socialist world, with its successes and prospects, with all its problems, is still a young and growing social organism, where not everything has settled and where much still bears the marks of earlier historical epochs. The socialist world is forging ahead and is continuously improving. Its development naturally runs through struggle between the new and the old, through the resolution of internal contradictions."¹

One of the paramount conclusions from Lenin's doctrine and the accumulated experience of revolutionary struggle is that of the need for an unmitigated ideological onslaught. This is a struggle both against bourgeois ideology—which attempts directly to attack or subvert Marxism-Leninism, including its attitude to the essence, laws and prospects for the two world economic systems, and against Right-wing and "Left"-wing opportunism—which distorts Marxism-Leninism and tries to subvert it from within.

Bourgeois ideologists deny the growing exacerbation of all contradictions in the world capitalist economic system. They play down all the new developments in international economic relations within the capitalist world which express increased monopoly competition, the successes of the young independent states in abolishing imperialist tyranny, the growing instability of the world capitalist economy, etc., and they affirm that the capitalist world today can remove the contradictions and stabilise development, can harmonise the interests of conflicting elements, including the imperialist and developing countries.

¹ 24th Congress of the CPSU, pp. 18-19.

At the same time, bourgeois ideologists ascribe to the world socialist economy and the economic co-operation of socialist states those aspects of subordination and domination, those antagonistic contradictions which are inherent in the capitalist economic system. One of their main ideological diversions is to distort the essence of Soviet foreign policy, Soviet international economic ties, and to portray the USSR as a power fighting, like the USA, for spheres of influence and control over the economies of other states, including the newly independent countries.

Between creative Marxism-Leninism, on the one hand, and Right-wing and "Left"-wing opportunism, on the other, a battle is in progress on all the main problems of theory and practice, tactics and strategy of the world communist movement, including the basic issues of the development of the socialist and capitalist world economic systems.

The Marxist-Leninist theory of transition to socialism and the establishment of an international dictatorship of the proletariat is violently opposed to opportunist concepts; the latter aver that the process of establishing socialist relations of production is automatic and spontaneous, that these relations begin to form through the development of productive forces of a society still in the throes of capitalism. It follows from such ideas that, by virtue of the possibility of socialism's spontaneous formation, superstructural phenomena within capitalist society, including the state, can have in social essence a dual character and that the amorphous and spontaneous process of socialist development embracing all countries has apparently already led to the appearance of many elements of socialism in capitalist states.

As a result, the approach to many aspects of contemporary capitalist development greatly lacks social clarity, narrows the sphere of analysis of class antagonisms and obfuscates the boundaries of social development in the world today.

The idea is propounded that a process is occurring under capitalism of the development of material, ideological, cultural, organisational and other prerequisites for socialism as a qualitatively new social system. But more than this: it claims that more or less mature elements of socialist social relations are already present under capitalism. Elements of capitalism and socialism are said to be present simultaneously in many social phenomena and processes with the steady trend towards the latter prevailing over the former. Attempts are being made to portray the situation as if the role of international economic

relations in the world capitalist system is concerned with accelerating the triumph of socialism in various states.

Similarly, Right-wing opportunists deny the fact of the existence of diametrically opposed world social and economic systems; they play down the significance of the world socialist system as the principal achievement of the international working class. They present the appearance of the world socialist system as a phenomenon essentially equivalent to many progressive social and economic changes in the non-socialist world which do not affect the essence of capitalism. They regard the world socialist system as a simple sum-total of states that do not possess common social and economic fundamentals distinguishing them in principle from capitalist states and engendering qualitatively new laws of development of their mutual relations. Hence their denial of any advantages that the world socialist economy has and the prophesising that socialist states will turn towards Western markets.

Let us recall that in 1917 Lenin criticised, in his *The State and Revolution*, the mistaken bourgeois-reformist assertion "that monopoly capitalism or state-monopoly capitalism is no longer capitalism, but can now be called 'state socialism' and so on".¹ Much has changed in capitalist society since then, but not the exploiting essence of capitalist relations of production, nor the class nature of the bourgeois state, nor the social character of international economic ties within the capitalist system. An invariable condition for a really scientific analysis of events and a correct orientation in the course of the class struggle, of the complex processes of rivalry, co-operation and mutual influence of states with different social systems can only be obtained by consistently adhering to class criteria in evaluating any political, economic or other social phenomena. As Lenin said, "We desire *proletarian revolutionary unity, unification*, and not secession. We desire *revolutionary unification*; that is why our slogan does not call for unification of all states in general, for the social revolution demands the unification *only* of those states which have gone over or are going over to socialism, colonies which are gaining their freedom, etc."²

Contemporary "Left"-wing opportunists, Maoists above all, peddle ideas contrary to Marxism-Leninism that the role of the world socialist system is unimportant in the world revolutionary process; they are contemptuous about the

¹ V. I. Lenin, *Collected Works*, Vol. 25, pp. 442-43.

² *Ibid.*, Vol. 26, p. 176.

proletarian class struggle in industrially developed capitalist states and they try to drive a wedge between socialist states and the international working-class movement on the one hand, and the national liberation movement, on the other; they counterpose the national liberation movement to the peoples of the socialist states and the working class of the industrially developed capitalist countries.

In rejecting a class proletarian approach to evaluating the motive forces of social development, the Maoists tend to counterpose entire races and continents. These "Left"-wing opportunists construct the basically false notion of a contradiction between the industrial states of the world ("the world city") and the developing states ("the world village"), between "rich" and "poor" countries. They affirm that, in the socialist countries, a process of "bourgeoisification" is taking place, while the working class of industrially developed capitalist states has lost its revolutionary spirit. They accord the developing states and the petty-bourgeois sections of these states the leading role in the world revolutionary process.

In their political practice, they militate towards an alliance with imperialist reactionaries and take upon themselves a role of dividing the world revolutionary movement. They preach nationalism and Great-Power chauvinism which are somewhat masked by pseudo-revolutionary phrase-mongering. The anti-Marxist and anti-Leninist views of "Left"-wing opportunists are not something new; they are in many ways a rehash of Trotskyist theories long discarded by the international communist movement.

The vital interests of the fight for socialism and communism demand the further ideological exposure of opportunism. The Communist Party of the Soviet Union and all other Marxist-Leninist parties firmly support the general policy of the international communist movement, give a compelling rebuff to divisive elements, fight to unite fraternal parties and increase the solidarity of the socialist community on the basis of the principles of Marxism-Leninism. Lenin's ideas continue to equip Communists throughout the world in their struggle against bourgeois ideology and any theories of Right- or "Left"-wing opportunism. L. I. Brezhnev said in his report *The Cause of Lenin Lives On and Triumphs*, that "in the present epoch, when the international class struggle has grown extremely acute, the danger of Right and 'Left' deviations and of nationalism in the communist movement has grown more tangible than ever before. The struggle against Right and 'Left'

opportunism and nationalism cannot, therefore, be conducted as a campaign calculated for only some definite span of time. The denunciation of opportunism of all kinds was and remains an immutable law for all Marxist-Leninist Parties".¹

The struggle of the international communist movement has heightened of late against both Right- and "Left"-wing opportunists. As a result, the ranks of the international communist movement have drawn closer together on the basis of Marxist-Leninist principles and significant progress has been made in politically and economically consolidating the socialist community; this is proof that the trend towards unity of the socialist countries is prevailing.

More and more people throughout the world are becoming aware of the substantial social, economic and political changes in world development which bear out Lenin's teaching. The major changes are in the world balance of power tilting towards socialism. The world socialist economic system is becoming an increasingly obvious embodiment of Lenin's ideas in building a new social system and in the close collaboration of socialist states. In non-socialist countries, objective and subjective conditions are developing for radical socio-economic change. The Lenin's ideological heritage, his method of analysis and resolution of important issues of social development remain the basis of revolutionary strategy.

WORLD REVOLUTIONARY PROCESS AND WORLD ECONOMY

The single world revolutionary process leading to the weakening and abolition of capitalism and to the socialist transformation of all human society comprises the efforts of the socialist community in building socialism and communism, the struggle of the workers and all working people in capitalist society against monopoly oppression and capitalist exploitation, and the fight of the young national states, dependencies and colonies to achieve and strengthen their national independence and against imperialist rule. The major revolutionary forces of the present day include the world socialist system, the international working-class movement and the national liberation movement; of these, the leading role belongs to the world socialist system. The countries that make up the socialist community act as the bastion of the whole world revolutionary movement. World development is today more and more determined by the might and influence of the socialist states, the course of competition and struggle between the socialist and capitalist world social systems. The rivalry of the "two methods, two political and economic systems—the communist and the capitalist",¹ of which Lenin spoke when referring to the situation facing Soviet Russia after the socialist revolution, today determines all contemporary world development.

The contradiction between these two systems is the main contradiction of the contemporary epoch. It is a contradiction between the working people, who have taken power in several parts of the world and liquidated all forms of human exploitation and national inequality, and the exploiting classes,

¹ V. I. Lenin, *Collected Works*, Vol. 31, p. 456.

who still cling to power in other states, striving to perpetuate exploitation and national oppression and refusing fully to relinquish their plans to restore capitalism in the socialist states. The growing acuteness of this contradiction, as world socialism grows stronger, has a vast influence on all the contradictions within the capitalist system, accelerates the revolutionary processes within it, is undermining it and shaking it to its very foundations. The consolidation of the world socialist system is a major factor causing the general crisis of capitalism to worsen.

Growth in the might of the world socialist system is the most substantial feature of the contemporary epoch. In recent years, the overall direction of the socialist community has become abundantly clear—that of further strengthening and improving the new social system, the greater practical realisation of socialist principles in all areas, the growing economic potential, international influence and defence capability of socialism. It is this process that ultimately determines the prospects for mankind's future and its advance along the road of social progress.

The growing economic power of world socialism is a major manifestation of world social progress. The 1969 International Meeting of Communist and Workers' Parties stated: "The contribution of the world socialist system to the common cause of the anti-imperialist forces is determined primarily by its growing economic potential. The swift economic development of the countries belonging to the socialist system at rates outpacing the economic growth of the capitalist countries, the advance of socialism to leading positions in a number of fields of scientific and technological progress, and the blazing of a trail into outer space by the Soviet Union—all these tangible results, produced by the creative endeavours of the peoples of the socialist countries, decisively contribute to the preponderance of the forces of peace, democracy and socialism over imperialism."¹

Economic progress in socialist countries is steadily changing economic balance between socialism and capitalism in favour of the former; this is vividly demonstrating the superiority of the socialist mode of production and is forcibly affecting the popular struggle for social progress, is extending the possibility for rendering material assistance from socialist states to

peoples fighting for social and national emancipation, and, finally, is thwarting the imperialist attempts to suppress this struggle.

Although the main results of recent years show that the world socialist system as a whole has made a fresh step forward in implementing the aims and ideals common to all its members, historical development has not been absolutely linear. The forward march of the socialist community has been complicated, in particular, by the situation in China. The policy pursued for several years now of adventure and chauvinism by the Mao Tse-tung group has done great damage to the socialist cause within the Chinese People's Republic and has run counter to the interests of the world socialist community and the popular revolutionary struggle throughout the world.

World economic development reflects not only the upsurge in world productive forces, but also the change in the world balance of class forces and the rate of world social progress. The increasing scope of revolutionary processes finds ready manifestation in the social and economic trends which characterise world economic development and the progress of individual groups of countries and the relationships between them.

If we analyse the social structure of the world economy, we can make several important points.

Within the bounds of the world economy, only the world socialist system forms a single social sector, while the world capitalist system does not essentially constitute a single whole, in as much as it falls into groups of states that form, to some extent, isolated social sectors of the world economy. Just as within the bounds of the national economy of a capitalist state, different economic structures can exist which differ in their degree of maturity and of capitalist relations of production and various other signs, so in the world capitalist economy social sectors have always existed that differ from one another mainly in the place they hold within the international system of exploitation created by the finance capital of imperialist powers. The principal two sectors of the world capitalist economy are imperialist states and young national states, although the social differentiation in this world economy essentially goes much deeper.

Within the world capitalist economy or, to be more exact, within a group of developing states, a certain transitional sector may emerge and, in fact, is already emerging; it includes the young progressive states that are choosing the non-capitalist

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p. 22.

Table 1
The Share of Individual Groups of States
in World Industrial Production in 1950-1971
(per cent)

| | 1950 | 1955 | 1971 |
|--|------|-------|------|
| Socialist states | 20 | 27 | 39 |
| Economically-developed capitalist states | 72 | 66 // | 54 |
| Developing states | 8 | 7 | 7 |

path of development and are consolidating their economic relations with socialist states. These countries are steadily feeding themselves from the mesh of imperialist dependence and, while still belonging to the world capitalist economic system, are advancing under the sure influence of internal social reforms away from imperialist international economic ties.

Despite the multisectoral nature of economies, the social type of national economy as a whole and the way that type manifests itself in international economic relations depend on the dominant socio-economic sector within the national economy. Even a multisectoral national economy operates, in practice, in world economic relations as the economy of the dominant sector within it. It does not have to be the sector which plays the dominant role in the economy of the country as a whole, in creating its national income, or even the sector which dominates the country's industry. What is decisive is the leading sector which is the basis of the politically dominant class, the weapon of its policy and the basis of the realisation of its economic interests, which serves that class as a means of influencing the whole economy and its social restructuring. Thus, the socialist sector may completely determine the social type of national economy in international economic relations even if it has not yet established itself in all areas of the economy. In the early Soviet years, for example, the share of the socialist sector in the national economy constituted less than a third, yet the existence of the USSR already signified the creation of a new socialist sector of the world economy.

The politico-geographical orientation of external economic relations of a given national economy and its connection with a

particular type of international division of labour are also of great importance. Of course, the politico-geographical orientation normally only reflects the type of dominant economic structure within a country. All the same, this orientation influences as well as reflects the tendency of internal social changes within the country. An analysis of this orientation is especially important in regard to countries in which the social nature of internal development is not yet completely clear. In those circumstances, the orientation of external economic ties of the country towards the world socialist economic system is beneficial to social progress in those states and serves as a condition for detaching them from the world capitalist economic system. On the other hand, an orientation towards imperialist states complicates social progress within them and reinforces their subordinate status inside the world capitalist economy. But even for countries that have begun to build socialism, the particular orientation of external economic relations is crucial. The vital interests of a socialist system are served only by an orientation whereby the country's external economic relations are predominantly within the world-socialist economic system, while relations with capitalist states are less extensive and important than those with fraternal states.

The universal tendency towards peoples coming closer together economically finds expression in world economic development. Throughout history, economic progress has invariably meant a progressive socialisation of production. Nowadays, this dialectical relationship is even more reinforced by the contemporary scientific and technological revolution. Today, the economic coming-together of peoples is destined to play a great part in stimulating world productive forces. Production is increasingly acquiring an international character both in the scope by which it satisfies social requirements and in the volume and variety of resources which it involves in the production process. The dependence of the scientific and technological level and economic indicators of production on the degree of its socialisation is increasing, including on an international scale. The internationalisation of economic affairs is an objective law of social development caused by the requirements of economic growth.

The socialisation of production has long since exceeded the bounds of individual national economies. The internationalisation of economic life, caused by this, has in one way or another embraced all the stages of the reproduction process, having

considerable influence on its rate of development and proportions in various countries. Being a manifestation of a certain, sufficiently high stage of development and, at the same time, acting as an invariable condition of its further growth, this internationalisation is a progressive historical tendency. It develops, however, not according to some abstract model applicable to any social system. In fact, the forms and consequences of the internationalisation of economic affairs differ in principle, depending on the social foundation on which it takes place.

The world socialist economic system radically differs from the world capitalist economic system in the way it is formed, in the character of relations between the countries that constitute it and in the prospects for development. The world capitalist system came into being through coercion and wars, the political and economic subordination of some countries by others. This is a system of unequal relations between peoples and the oppression of the weak by the strong. Inter-state relations (and, to a large extent, international relations in general) are determined in the capitalist camp by selfish interests of the ruling exploiting classes, are permeated by a spirit of political rivalry and economic competition engendered by these selfish interests. The exploiters try to foist their nationalistic and chauvinistic ideology on to the working people so as to achieve their aims at their expense.

The status of countries in the capitalist world wholly depends on the correlation of their forces in economic and military spheres and their political influence that springs from this. Therefore, the essence of relations between countries in the world capitalist system consists in the subordination of many capitalist states to the interests of the monopoly élite of the bourgeoisie in the economically most developed capitalist nations. The weakest countries are forced either to go against their national interests or to conduct a stubborn battle for national sovereignty. The international relations within the capitalist world are, above all, conspicuous by the deep-going contradictions between imperialist powers, on the one hand, and the colonies and dependencies, and also the newly liberated states, on the other. Many young national states today occupy a special place in the contemporary world. They do not belong to the system of imperialist states and countries politically dependent upon them; at the same time, they have not yet eliminated economic dependence on imperialism and they are fighting against the neo-colonialist encroachments of

the imperialists. National interests inspire these states to act internationally as an important anti-imperialist force. However, even the camp of imperialist powers is rent by contradictions between rival states and groupings.

By contrast to this camp, the world socialist system is a community of peoples that has formed voluntarily under the influence of common interests of the struggle for socialism and communism, and on the basis of complete equality. The socialist system removes exploiting classes from society, eliminates thereby the roots of unequal relations between peoples, the roots of national enmity and division. It gradually overcomes everything that has divided peoples in the past. A spirit of internationalism and solidarity is gradually affirmed in the relations between socialist states.

The prospects confronting the two world systems are also radically different. The world capitalist system, torn apart by contradictions and the popular struggle for national and social liberation, is moving in the direction of decline and decay. Imperialism, the main force which tries to maintain, by violent methods, the system of inequality and oppression of countries and peoples, finds its positions weakened. Colonialism is facing utter defeat, and previously oppressed nations are now cutting through their political and economic bonds that tie them to imperialist powers. Finally, the popular struggle for socialism is mounting and abolishing, along with capitalism, all forms of oppression and exploitation.

The world socialist system personifies the future of the peoples of the world. The liquidation of national oppression for the first time makes relations between peoples voluntary and, therefore, lasting. The socialist community is developing through the extension of co-operation among peoples and is bringing them closer together in a comprehensive way.

Although internationalisation of economic affairs is world-embracing, it acts primarily as the internationalisation of a certain mode of production and implies, first, its establishment in a few countries and, second, the emergence of economic relations between these countries based on a single type of mode of production. Internationalisation of economic life means the internationalisation both of productive forces and of relations of production together. It thereby includes two organically connected processes: first, the internationalisation of productive forces, the socialisation of production on an international scale, the establishment of a regular exchange of activity between peoples—which becomes an obligatory condi-

tion of extended reproduction within national bounds—the formation of interrelations and interdependence of several crucial economic proportions of individual states and rates of economic development and, second, the internationalisation of a given type of relations of production not only in the sense of its establishment in several states, but also in the sense of the formation and promotion of international relations of production of that type.

As long as both the socialist and capitalist world economies exist within the world economy, the internationalisation of productive forces is accompanied, within the socialist system, by an internationalisation of socialist relations of production, while, within the capitalist system, it is accompanied by an internationalisation of capitalist relations of production, depending on the type of relations of production that predominates in countries between which economic relations exist. The type of relations of production has an immense influence on the rate, nature, production technique and socio-economic results of the internationalisation of productive forces.

Finally, the internationalisation of productive forces leads also to a certain expansion of economic ties between states belonging to different world social systems. Specific international relations of production, therefore, form and express simultaneously the rivalry of the two world socio-economic systems, in tackling economic problems in which they are interested. These relations are contradictory and built on compromise, being the sphere of the complex interaction of essentially opposed economic laws of the different social formations. Of course, that primarily refers to relations between socialist and industrial capitalist states; in relations between socialist and developing states, an element of selfless assistance from the socialist states plays an essential part. As the progressive orientation of the young national states develops, their relations with the socialist countries are increasingly built on a community of interests in the fight against imperialism and on the principles of growing co-operation.

The contemporary social structure of the world economy is characterised by the presence of the powerful world socialist economy. Back in 1919, socialism accounted for only 16 per cent of world territory and 7.8 per cent of world population; on the eve of World War II, the percentages were 17 and 9 respectively. By mid-1971, the 14 socialist states distributed on three continents accounted for 25.9 per cent of world territory and 32.9 per cent of world population. Thus, the socialist

world contained in mid-1971 as many as 1,218 million people, i.e., almost 9 times more than in 1919. The socialist proportion in world industrial production virtually doubled between 1950 and 1971 and increased over 13 times between 1917 and 1971. In 1917, socialism accounted for less than 3 per cent of world industrial output, in 1920 even less than 1 per cent, yet already by 1937 its share was approaching 10 per cent. In 1950, it had reached some 20 per cent, in 1955—27 per cent and in 1971—approximately 39 per cent.

Such a comparison of socialist and capitalist shares in the world economy, however, no longer reflects the real balance of power in world material production. A significant group of developing states is actively fighting imperialism, extending economic co-operation with socialist states and aspiring to take the non-capitalist road. Today, therefore, the production potential of those countries cannot be mechanically totted up and added to that of the imperialist powers. To evaluate the balance of power between socialism and capitalism in the world economy it is more instructive to cite the fact that, in 1971, the industrial output of socialist states comprised approximately 70 per cent of that of the economically developed capitalist states.

The socialist mode of production has formed and strengthened as an international phenomenon. It continues its dynamic development, spreading its great revolutionary influence over the rest of the world. In most socialist states, socialism constitutes a solid all-embracing system of socialist social relations and a qualitatively new material and technological base of a clearly expressed industrial type. The world socialist system clearly has the edge in rates of economic growth over the world capitalist system. In a number of decisive sectors, socialism has forged ahead in implementing the present-day scientific and technological revolution.

The world socialist economic system has reached a stage at which sufficient mature conditions have developed for a fuller and more consistent realisation of the advantages of the socialist mode of production. The maximum increased efficiency of social production has become a vital task and, on that basis, has stimulated an even greater growth in the living standards of the people in socialist states. The work being done to improve the use of the economic laws of socialism and to perfect the methods of managing the socialist economy both in individual states and in economic relations between them is a guarantee that this set of economic problems will be tackled successfully.

The world socialist economy is the most dynamic sector of the world economy. According to United Nations statistics, the average annual rate of growth of national income was 5.4 per cent for the entire world between 1951 and 1970, while it was 8.3 per cent in the socialist countries. During this period, the average annual growth rate of national income in the socialist states was almost double that of the industrial capitalist states, which stood at 4.5 per cent.

The part played by the world socialist system in the world economy has grown so much that the growth rate of production in the socialist world now serves as an important factor accelerating the growth of world production, by contrast with the rate of which the capitalist world is capable. From 1951 to 1965, industrial production in the world capitalist system increased by an annual average of 5.6 per cent, while industrial output throughout the world grew by 7.2 per cent annually thanks to the rate of growth of industrial production in the socialist states (11.5 per cent).

It would be quite wrong to imagine the world socialist economy as a sum total of national economies developing in isolation from one another. The interests of building socialism and communism insistently dictate the need for the fraternal states to co-operate in economic development. This co-operation is based on a community of fundamental social and economic interests in the socialist states and on objective requirements for stimulating productive forces. Due to the socialist relations of production and the socialist social system, the world socialist economy is free of the antagonistic contradiction, inherent in capitalism, between two tendencies: the tendency for the development of national states that are sovereign both in political and in economic affairs, and the tendency for nations to come together and to consolidate their economies by virtue of the ever-increasing internationalisation of productive forces. With the elimination of class antagonism, the antagonism between nations is removed. Lenin wrote: "To the old world, the world of national oppression, national bickering, and national isolation the workers counterpose a new world, a world of the unity of the working people of all nations, a world in which there is no place for any privileges or for the slightest degree of oppression of man by man."¹

The further political and economic consolidation of the socialist states has become a matter of urgency and an

¹ V. I. Lenin, *Collected Works*, Vol. 19, p. 92.

invariable condition for progress. The present stage of the struggle of socialist peoples for socialism and communism and of the world struggle between the two opposed world social systems more than ever dictates the need for elaborating an overall strategy for the socialist states in regard to the major issues of their external economic relations. Under these circumstances, the ruling Parties of the CMEA members employ the tried and tested democratic method of working out an overall policy and of fortifying unity in action, such as the comradely exchange of experience, the joint analysis of problems and the united efforts in tackling problems more effectively. The meetings of representatives of the Communist and Workers' Parties and governments of CMEA member states have invariably provided a great stimulus to economic and political co-operation. Suffice it to mention here the 23rd (Special) CMEA Session of 1969, with the participation of the Communist and Workers' Parties and governments in CMEA, whose decisions mapped out the main long-term goals and forms of economic consolidation. As the Communiqué stated, "the session expressed the unanimous conviction that the further extension and intensification of economic co-operation between CMEA member states corresponds to the vital needs of the peoples building socialism and communism". Similarly, the 25th CMEA Session in 1971 was also of historic importance for the world socialist economy: it summed up the efforts of all members in co-ordinating problems and adopted a Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries, designed for gradual realisation over a period of 15 to 20 years.

The development of the world socialist economy is acquiring an increasingly purposeful, balanced and interlinked character not only by virtue of improved planning and economic management in individual socialist states. The existence merely of national economic plans elaborated in each country in isolation from one another could not, of course, secure a really effective economic co-operation between socialist states or the optimum use of national reproduction processes taking the possibilities of this co-operation into account. Only extensive, joint, co-ordinated activity by the socialist states can achieve the necessary harmony and interlinking of their economic development, which are capable of insuring the most rational internal and international economic proportions.

The world socialist economy is the most dynamic sector of the world economy. According to United Nations statistics, the average annual rate of growth of national income was 5.4 per cent for the entire world between 1951 and 1970, while it was 8.3 per cent in the socialist countries. During this period, the average annual growth rate of national income in the socialist states was almost double that of the industrial capitalist states, which stood at 4.5 per cent.

The part played by the world socialist system in the world economy has grown so much that the growth rate of production in the socialist world now serves as an important factor accelerating the growth of world production, by contrast with the rate of which the capitalist world is capable. From 1951 to 1965, industrial production in the world capitalist system increased by an annual average of 5.6 per cent, while industrial output throughout the world grew by 7.2 per cent annually thanks to the rate of growth of industrial production in the socialist states (11.5 per cent).

It would be quite wrong to imagine the world socialist economy as a sum total of national economies developing in isolation from one another. The interests of building socialism and communism insistently dictate the need for the fraternal co-operation in economic development. This co-operation is based on a community of fundamental social and economic interests in the socialist states and on objective requirements for stimulating productive forces. Due to the socialist relations of production and the socialist social system, the world socialist economy is free of the antagonistic contradiction, inherent in capitalism, between two tendencies: the tendency for the development of national states that are sovereign both in political and in economic affairs, and the tendency for nations to come together and to consolidate their economies by virtue of the ever-increasing internationalisation of productive forces. With the elimination of class antagonism, the antagonism between nations is removed. Lenin wrote: "To the old world, the world of national oppression, national bickering, and national isolation the workers counterpose a new world, a world of the unity of the working people of all nations, a world in which there is no place for any privileges or for the slightest degree of oppression of man by man."¹

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invariable condition for progress. The present stage of the struggle of socialist peoples for socialism and communism and of the world struggle between the two opposed world social systems more than ever dictates the need for elaborating an overall strategy for the socialist states in regard to the major issues of their external economic relations. Under these circumstances, the ruling Parties of the CMEA members employ the tried and tested democratic method of working out an overall policy and of fortifying unity in action, such as the comradely exchange of experience, the joint analysis of problems and the united efforts in tackling problems more effectively. The meetings of representatives of the Communist and Workers' Parties and governments of CMEA member states have invariably provided a great stimulus to economic and political co-operation. Suffice it to mention here the 23rd (Special) CMEA Session of 1969, with the participation of the Communist and Workers' Parties and governments in CMEA, whose decisions mapped out the main long-term goals and forms of economic consolidation. As the Communiqué stated, "the session expressed the unanimous conviction that the further extension and intensification of economic co-operation between CMEA member states corresponds to the vital needs of the peoples building socialism and communism". Similarly, the 25th CMEA Session in 1971 was also of historic importance for the world socialist economy: it summed up the efforts of all members in co-ordinating problems and adopted a Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries, designed for gradual realisation over a period of 15 to 20 years.

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¹ V. I. Lenin, *Collected Works*, Vol. 19, p. 92.

In reinforcing the planning of the international socialist division of labour, the socialist states are deliberately and purposively promoting the objectively necessary balance in the economic development of each country and of the world socialist system as a whole; this encourages a rapid growth in production. This aim is also served by the voluntary, joint, planned activity of the socialist states in ensuring the co-ordination of their national economic plans and also the carrying out, within the bounds of this co-ordination, of joint planning in certain major interlinked branches and types of production. This activity is today being undertaken by CMEA countries.

CMEA member states base their activity on the need for an optimum combining of the comprehensive economic development of each state with a rational international specialisation of production in order to achieve the effective development of national economies and the wide-scale use, for this purpose, of the advantages of the international socialist division of labour. This combination is an important feature of the world socialist economy on which basis the production technology and socio-economic differences will be intensified—by contrast with the world capitalist economy—and on which basis the progressive structural shifts in the world socialist economy will be accelerated.

A comprehensive economic structure is the privilege of a few powerful states within the world capitalist economic system. This system divides countries into industrial and agrarian raw material appendages; this does not accord with the interests of the peoples and causes a low level of economic development in countries with a deformed, monocultural economy. Within the socialist community, the countries which had inherited economic backwardness from capitalism have already largely overcome the consequences of that extremely narrow specialisation of producing agricultural and industrial raw materials—which was a result of their subordinate status within the world capitalist system. They are successfully creating new and modernising old branches of production, diversifying the economy, which is gradually coming to resemble, in major features, a structure typical of economically highly developed countries.

Within the world socialist economic system, the rate of major change in economic structure, largely reflecting the attainments of society in creating and developing a sound economy, has greatly exceeded that which the world capitalist economic

system has been able to achieve in the same period. Thus, a progressive economic structure guaranteeing higher productivity is intensively forming in the socialist states; over three-quarters of total industrial and agricultural output is being produced in the world socialist economy within industry. In gross industrial output of the socialist states, the share of engineering is over one-fourth, while in the CMEA states it is approximately one-third—that is, it has more than doubled since 1950. The conditions of the world socialist economic system are beneficial to a progressive reorganisation and improvement of the economic structure of all states without exception, they correspond to the changes in the division of labour between them. This is facilitated both by the domination of the socialist economic system in each country and, at the same time, by the new, socialist type of international economic relations within the socialist community.

The socialist states aim, in their economic co-operation, to ensure a harmonious combination of national economic interests and the international interests of the world socialist system as a whole. The increasing variety of forms of bilateral and multilateral co-operation, which supplement one another, enable them to find, in each specific circumstance, expedient ways of resolving economic problems within the requirements of interested parties.

The new type of international relations which has formed and is being improved within the world socialist system expresses the voluntary, equal and mutually profitable co-operation of fraternal peoples. It is a factor in reinforcing the political and economic solidarity of the socialist states. By contrast, the capitalist type of international relations presupposes the unequal status of various states within the world capitalist economic system, is at variance with the vital interests of many of these countries and acts as a brake on the progress of world productive forces. As a result, capitalist international relations are a factor which worsens antagonistic contradictions in the world capitalist system, increases its instability, and contributes to its inevitable doom.

Experience shows that only the new type of international economic relations that has formed within the world socialist system expresses genuinely equal and mutually beneficial co-operation and greatly stimulates the productive forces in each participant state. Economic relations between socialist countries are permeated by a spirit of proletarian internationalism and fraternal solidarity of the peoples building

socialism and communism. Only the socialist type of international economic relations is guided by the principle of mutual assistance of participants, of selfless help from the economically advanced to the less developed states so as to bring these countries up to the level of the advanced and to bring about a steady overall improvement in the entire world socialist economic system.

It would, however, be wrong to imagine that the socialist economic system automatically establishes complete consensus of all interests and requirements of member states. Account for the needs and the harmonisation of interests in everyday economic co-operation is a complicated process which makes high demands on the scientific level and political content of their joint activity. There may well be, in certain circumstances, contradictions between the needs of countries due to the interests of their economic development, existing international economic relations, the various manifestations of the division of labour between countries, and so on. This may sometimes be caused by the objective lack of coincidence of certain current economic interests of individual states in regard to specific issues, primarily because of the persisting differences in the economic levels of the socialist states. This may also be explained by certain forms of international economic co-operation lagging behind the need to increase the division of labour between socialist states, the imperfect methods of co-operation, and so on. Nevertheless, whatever the reasons, these partial contradictions cannot have an antagonistic nature and are overcome with account for the interests of all co-operating countries.

The world capitalist economy presents quite a different picture. Every worsening of economic difficulties or appearance of any new economic problem is associated with a growing struggle between rival monopoly groupings and states. Countries that are economically backward for a long time cannot, despite the great efforts of many of them, approach the level of the industrial powers or even halt the process of increasing differences in the degree of industrial development. The formerly dependent and colonial countries that have now cast off their political dependence on imperialist powers have to fight tooth and nail for their economic independence. For long they remain the source of superprofits for the monopolies of imperialist states, which do all they can to hamper any increase in the national productive forces within the developing states.

A multitude of facts show that international economic

relations in the socialist and the capitalist world have opposite consequences for the economies of participant states. The results of economic development in states within the opposed social systems since the war also testify to the fact that only the socialist world has made a reality of the gradual levelling-up of the economies of various countries, while this has remained unattainable in the capitalist system. According to UN forecasts, the average annual rate of growth of national income per head of population in 1965-1975 will lie between a minimum of 2.3 per cent and a maximum of 3.6 per cent in the economically developed capitalist states, and only between 1 per cent and 2.9 per cent in the developing states. UN experts do not expect any radical changes in the correlation of these rates in the subsequent decade. Between 1975 and 1985, it is anticipated that the average per capita national income growth will be a minimum of 2 per cent and a maximum of 4 per cent annually in the economically developed capitalist states, and, correspondingly, 1.4 per cent and 3.9 per cent in the developing states. That means that in the long term, by contrast with the developed capitalist states, the backwardness of the developing countries will remain in rate of growth of per capita national income and the gulf will widen in its absolute amount.

Far-reaching structural changes are taking place within the world capitalist economy, especially under the impact of liberation movements and the scientific and technological revolution. This applies to the structure of production (especially in industry), the commodity structure of international trade, the territorial location of productive forces and the geographical structure of international trade, the trading terms on the international capitalist market, and the directions and conditions of migration of capital and manpower. The production nature of the international division of labour within the world capitalist system is undergoing considerable change; so, too, is the status of certain states within the system of division of labour.

From the techno-economic viewpoint, many of these processes express the increase in productive forces and the improving structure of world capitalist production as a whole, which is accelerating the trend towards intensification of production within the world capitalist economic system, the increasing interlinking and interdependence of national economies, the growing role of the international division of labour in boosting the economic efficiency of production. Yet, at the same time,

there is a mounting underemployment of world production potential—even given the new opportunities—and a growing imbalance of territorial location of productive forces within the capitalist world.

From the socio-economic and political viewpoint, the present shifts in the world capitalist economy mean a further internationalisation of the reproduction of capital, a strengthening of international monopolies and the appearance of new economic and political forms for expanding the scope of their activity beyond the bounds of "their own" national territory. At the same time, the shifts reflect the emergence of a trend towards a relative exclusiveness of certain sectors of the world capitalist economy, as a result of the creation of closed economic groupings. The role of the capitalist state is growing in international economic relations and new competitive spheres and methods are appearing throughout the world capitalist economy, which is, on the whole, undergoing even fiercer competition. One may also observe an increase in the uneven development of its individual parts, a growing weakening, in several directions, of the integral nature of the world capitalist economic system, the emergence—still within the confines of that system—of a specific socio-economic sector made up of the young progressive states fighting to reform the social content and material expression of the world economic relations in which they are embroiled.

The monopolies of the capitalist world today bend their efforts to utilise economic internationalisation in their own selfish interests, to weaken the pressure of the growing productive forces on the narrow framework of capitalist economic forms and to alleviate the growing antagonism between the social character of production and capitalist appropriation. The downfall of the imperialist colonial system, which for long served as the major form of international unification of economic resources in the capitalist world, has finally exposed the irreconcilable contradictions between the trend towards economic unity and the capitalist methods of implementing this unity. These methods do not conform to the real progressive direction of this tendency and completely distort it...

Even after the disintegration of colonial empires, however, the old aspirations lie behind the contemporary neo-colonialist imperialist policy; it is a policy of subordination and exploitation of the economically less developed states in new forms. These forms of economic unity of individual countries are

based on the economic backwardness of the "partners" of the imperialist powers and on a one-sided economic dependence. Under these circumstances, there can be no equal joint exploitation of the advantages of the internationalisation of production and the international division of labour. Economic relations between industrial and economically less developed states in the capitalist world remain, as before, orientated on a one-sided extraction of profit by the imperialist powers from the irrational economic structure, low living standards and all the other features of economic backwardness of the vast majority of countries in the world capitalist system. The imperialist states still appropriate annually more than one-tenth of the national income of developing states by means of various forms of economic plunder—that is a sum which would enable these states, in many cases, at least to double the volume of accumulation.

One result of the socio-political, scientific, technological and production changes in the contemporary world is that the imperialist sector of the world capitalist economy is, to a certain extent, being consolidated in the fight against liberation movements and the world socialist system. In spite of its own deep internal contradictions, it is more blatantly than ever contrasted to the rest of the world. As the 1969 International Meeting of Communist and Workers' Parties stated, "Under conditions where the struggle between the two world systems is becoming sharper, the capitalist powers seek, despite the growing contradictions dividing them, to unite their efforts to uphold and strengthen the system of exploitation and oppression and regain the positions they have lost. US imperialism strives to retain its influence over other capitalist countries and pursue a common policy with them in the main spheres of the class struggle."¹

Imperialist integration is reactionary in its social, economic and political orientation. The imperialists employ the processes of integration for pursuing a neo-colonialist policy, for attaining their aggressive military-strategic goals and for attempting to put economic and political pressure on the socialist states. Imperialist integration has an adverse effect on economic relations between the two world systems and counteracts the increasing world division of labour, thereby conflicting with the objective tendency of expanding inter-

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p. 12.

nationalisation of production. The closed economic groupings, above all the European Economic Community, are used by NATO aggressive circles to create artificial barriers in the way of economic relations between states with different social systems, particularly in the way of greater European economic co-operation.

One of the major tasks being tackled by the socialist states during the contention of the two opposed world social systems is to ensure a greater influence of socialism on world development. The socialist impact on the social and economic processes under way in the world economy is growing with every passing year. The comprehensive economic upsurge in socialist states, the political and economic consolidation within the socialist community, the expanding economic relations between socialist and other countries, especially the newly independent states, and the vigorous foreign policy of the socialist states which conforms to the interests of peace and social progress—all this serves as a powerful transformative factor in developing the world economy.

The socialist states take a constructive attitude at broadly based international forums and in everyday policy, which serves the purpose of removing the consequences of colonialism and neo-colonialism in world economic relations, helping the developing states to accelerate the growth of their foreign trade, making a constructive contribution to reforming the world division of labour with account for the need to secure the interests of all peoples, especially those of the newly independent states. As a result of the concerted action of all revolutionary forces today, a certain transformation is taking place in the mechanism that operates the world capitalist economic system; this is narrowing the potential for extended reproduction of capital at the expense of a simple redistribution of national wealth between the economically less developed states and imperialist powers in favour of the latter. The growth in economic power of the socialist states and of their role in world economic affairs is increasingly undermining and overcoming the monopoly status of imperialist powers in world markets as suppliers of major products, especially those that play a decisive part in industrialisation and scientific progress, and as purchasers of products supplied by developing states. The socialist states are also undermining the monopoly position of imperialist states as international creditors and as the repositories of scientific information. This steady erosion of the imperialist monopoly position on the

world market will increasingly lead to a qualitatively new situation in which the sphere of speculative manoeuvres by the imperialist monopolies will be reduced; their opportunities for extracting superprofits by dint of their monopoly position will be thwarted; and more favourable conditions will develop for strengthening the national economies of developing states.

A paramount issue of world politics today is relations between countries with differing social systems. Marxist-Leninist parties consistently adhere to and promote the principle of peaceful coexistence that was advanced and substantiated by Lenin; it serves the interests of all progressives, encourages the anti-imperialist struggle and fully accords with the aspirations of humanity for strengthening peace and extending the co-operation of all peoples.

The presence of two counterposed world systems does not mean the complete disintegration of the world economy and division of labour. The fierce struggle between these systems in various social areas does not eliminate the objective factors which cause both sides to develop mutual economic relations. Although the principal direction of socialist foreign economic activity is to co-operate with fraternal states, the socialist states combine their fruitful participation in the socialist system of international economic relations with a rational use of contacts with states of the world capitalist system.

Bourgeois literature widely proclaim the idea that the socialist states are striving for autarky and the destruction of the world division of labour. In actual fact, the policy of the socialist states takes into full account the fact that contemporary production is the result of world development. The economies of both systems need an extensive exchange of the results of economic and scientific activity. Economic advance in the socialist states and consolidation of their co-operation are accompanied by increased mutually beneficial economic ties with those capitalist states which display goodwill in regard to co-operation. In the CPSU Central Committee report to the 24th Party Congress, it was made clear that "the Soviet Union is prepared to expand relations of mutually advantageous co-operation in every sphere with states which for their part seek to do so. Our country is prepared to participate together with the other states concerned in settling problems like the conservation of the environment, development of power and other natural resources, development of transport and communications, prevention and eradication of the most danger-

ous and widespread diseases, and the exploration and development of outer space and the world ocean."¹

The economic and political consolidation of socialist states, including the processes of international economic integration within the world socialist system, far from preventing the extension of economic relations with non-socialist states, actually encourage the creation of more beneficial conditions for this to happen. By accelerating the growth in their economic potential, wider co-operation between the socialist countries creates additional possibilities for them to take part in the world division of labour and increases their export resources and import requirements. It also helps to baulk the policy of embargo pursued by the reactionary elements of imperialist states in regard to the socialist countries, and it facilitates the activities of those businessmen in the capitalist world who take a realistic view of the existence of the two world systems and are prepared for mutually advantageous co-operation.

While doing all they can to strengthen mutual co-operation, the socialist states do not isolate themselves from other countries. As the Communiqué of the 25th CMEA Session (1971) emphasised, "The Session declares any non-member country of the CMEA may participate fully or partly in the implementation of the measures envisaged in the Comprehensive Programme." The growing economic unity of the socialist states is far from creating a closed grouping. On the contrary, the socialist states accord great importance to the normal development of economic relations between countries with differing social systems, to a greater international division of labour embracing all countries of the world and to a mutually profitable exchange of activity which can both help to expand production and to normalise international relations in general, and to maintain and strengthen peace. Experience has demonstrated the viability of this course pursued by the CMEA countries. Thus, an agreement on co-operation between the CMEA and Finland was concluded in May 1973. They especially hold in high esteem extended co-operation with newly independent states.

The world economy has not ceased to exist, therefore, with its division into two economic systems which embody opposing types of relations of production on an international and domestic scale. It exists not only as a sum total of mankind's

¹ 24th Congress of the CPSU, p. 38.

productive forces, but as a definite system of economic relations. The world economy today is, above all, a dialectically contradictory interaction between two socially different world systems which are to some extent connected and affect one another. We refer here not so much to the world division of labour which remains and develops, involving certain elements of division of labour between socialist and capitalist world economies, as to the world historic competition between them which is bound to result in the victory of socialism.

It is clear that the policy of restriction and discrimination in trade with socialist states, pursued by capitalist regimes and their closed economic groupings, is increasingly being recognised as fruitless both by the general public and by business and political circles within capitalist countries. More and more often one notes not merely the futility of imperialist plans to baulk the growing strength of the socialist economy through embargoes, but also the harm that this policy brings to the capitalist countries themselves. Lenin's idea is valid today that "there is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is world general economic relations, which compel them to make contact with us".¹

A wide-scale tendency is growing in capitalist states of renunciation of a foreign trade boycott in regard to socialist states and the acceptance of mutually advantageous economic relations between countries in the two world systems. Among the facts confirming this trend are the actions of several Latin American states against the US-imposed blockade of socialist Cuba. Participants in several inter-American economic conferences support the proposals to renew economic relations with Cuba. This testifies to the fact that US pressure on Latin American states no longer has the same effect as it did in the past, and that these states increasingly appreciate the need to promote contacts with socialist states, including Cuba. The Peruvian magazine *Lea* wrote: "The existence of a plan to create Latin American integration without Cuban participation is impossible. The future of Latin America is associated with Cuba." The normalisation of relations between Cuba and states which had previously broken off relations is now a sign of the times.

The expanding economic relations between socialist and other states is a feature of the growing economic potential, the

¹ V. I. Lenin, *Collected Works*, Vol. 33, p. 155.

international political authority and the ideological and moral influence of world socialism. At the dawn of Soviet history, Lenin wrote: "No better proof of the Russian Soviet Republic's material and moral victory over the capitalists of the whole world can be found than the fact that the powers that took up arms against us ... have been compelled, against their will, to enter into trade relations with us in the knowledge that by so doing they are strengthening us."¹

Recent years have been marked by signal achievements of CMEA countries in a foreign policy aimed at consolidating the cohesion of the socialist community, extending support to newly independent states, thwarting aggressive imperialist circles and normalising the international situation. The Leninist foreign policy of socialist states is among the major factors which have made socialism the dominant direction in human development.

Socialist foreign policy is a class policy which fully conforms to the interests of creating favourable external conditions both for economic and political construction in the countries of the community and for progressive development of other states in the world. The USSR and other socialist states do not pursue any selfish aims and abhor any aspirations to create spheres of influence or to subordinate the politics of any country to one's own interests. The dominant principle of their foreign policy is the campaign for everyone to have equal rights to freedom and independence, to peaceful labour and the fight for social progress all over the world.

The socialist policy is against unprincipled compromises with imperialism. General Secretary of the CC CPSU L. I. Brezhnev said on 27th June, 1972, at a dinner given in honour of Prime Minister Fidel Castro of Cuba, that "Marxists-Leninists do not harbour any illusions about the anti-popular essence of imperialism and its aggressive aspirations". At the same time, Marxists-Leninists are not fatalists in regard to world events. They think it necessary and possible vigorously to affect world development in the interests of all peoples. L. I. Brezhnev said: "Communists consider it their duty, in conformity with the hopes of the peoples, to fight to avert the danger of world war, step by step to establish peaceful coexistence between states with different social systems, and to seek the resolution of outstanding issues through negotiation. We are doing everything to make the future really peaceful for mankind."

¹ V. I. Lenin, *Collected Works*, Vol. 31, p. 414.

The results of the talks between Soviet and US leaders in Moscow in May 1972, of L. I. Brezhnev's visit to the USA in June 1973 and of the meeting between Soviet and US leaders in Vladivostok in November 1974 contained much of value for the international situation. They bear witness that, despite the radical difference between the Soviet and US social systems and the great differences, even diametrically opposed nature of their attitudes to a whole range of world problems, improvements can be made to relations between them in the interests of international peace. The two countries reached several important agreements aimed at averting a nuclear war and settling differences peacefully, and also at limiting strategic weapons and restraining an arms race which is diverting vast resources from peaceful construction. They agreed on the possibility for promoting businesslike co-operation in various economic and scientific spheres. Both sides noted the existence of objective conditions for furthering economic co-operation and they mapped out measures encouraging trade, credit and financial, scientific and technological co-operation.

Today, the economic ties of socialist states with the non-socialist world, including the economically developed capitalist states, have become an important and continually operating factor in world economic development helping the popular struggle for international security and social progress. The Soviet Union has become one of the world's leading trading powers. It has trade ties with more than 100 states, with 80 of them on the basis of trade and payments agreements. The trade and other economic relations of the USSR and other socialist states with many young national states are developing particularly fruitfully. However, some progress is also being made in relations with economically developed capitalist states thanks to the defeat of imperialist cold war plans and the mounting interests of these countries in contacts with the big socialist market. The trade turnover of all CMEA members with advanced capitalist states increased by 2.6 times in the period 1961 to 1970, while the share of the latter in the overall volume of foreign trade of CMEA countries comprised 24 per cent in 1970.

Other forms of economic co-operation, besides trade, are growing between states in the two world systems. Thus, the Soviet Union has helped to build an iron and steel plant for the Rautaruukki firm in Finland; Soviet enterprises have helped to rebuild the Saimaa Canal and have reached agreement on

Soviet participation in building an atomic power station in Finland. Conversely, Finnish firms have, since the war, helped to build four hydroelectric power stations in Murmansk Region. The Intergovernmental Soviet-Finnish Economic Co-operation Standing Committee is studying other possible projects in economic and technological collaboration. Such co-operation is also expanding between the USSR and Italy. The Italian firm Fiat is working with Soviet enterprises in the motor industry and building a motor works in the city of Togliatti; Olivetti is helping to supply computers and the Montedison company is supplying chemical equipment.

The efforts to increase business contacts between states with differing social systems are an important component of the socialist campaign to consolidate peace and establish an atmosphere of trust and mutual understanding among peoples, to bridle the most reactionary and aggressive forces of imperialist states. The socialist states have initiated a number of specific measures serving these aims. Of great importance was the initiative of the USSR and other socialist countries to call a European conference. The questions to be discussed at the conference included European security and the renunciation of the threat or use of force in mutual relations between European states; an expansion of trade, economic, scientific and technological relations on equal principles and development of cultural co-operation between European states.

As the Soviet Foreign Trade Minister N. S. Patolichev said, "The possibilities for developing European co-operation are immense. The expansion of economic relations would enable us to begin to work out and implement, through the joint efforts of different states, large projects of a European scale in the field of health, power, transport, water and air transport, which would have a direct bearing on the welfare of everyone on our continent. Such projects would include the construction of large transcontinental oil and gas pipelines, a uniform system of internal waterways linking European rivers, powerful electrical transmission lines and, on that basis, an integrated European power system."¹

These possibilities are already partly being realised. For example, a major agreement was signed in late 1969 with the Italian state company ENI on delivery to Italy of more than 100,000 million cubic metres of Soviet natural gas and the delivery to the Soviet Union of Italian pipes and other

equipment for the gas industry. The USSR has also signed agreements to deliver Soviet natural gas to Federal Republic of Germany and France. It has signed agreements with a number of West European states to deliver large-diameter pipes and other equipment for the Soviet gas industry.

As is stated in the communiqué on the meeting of the Party and government leaders of socialist countries in 1969 in Moscow, "The socialist countries will continue persistently to campaign for a situation in Europe in which tension gives way to good-neighbourly relations, peaceful coexistence becomes a universal rule of relations between European countries with differing social systems and the striving of the peoples for security and progress finds expression in solution of vital problems facing this part of the world."¹

The CMEA member countries are making great efforts to extend business contacts between states with different social systems and to create an atmosphere of trust and mutual understanding. They have initiated specific economic, political and cultural proposals intended to help to achieve that objective. The wide-ranging programme of measures serving the cause of peace and international security, outlined by the 24th Party Congress, is of particular importance.

The visits of L. I. Brezhnev to France and of George Pompidou to the USSR made an important contribution to this programme of peace and international co-operation; the results of the visits raised Soviet-French co-operation to a new and higher level. During the visits, both sides confirmed and developed a wide coincidence of views in regard to European affairs and they outlined new prospects for economic co-operation between both countries.

In conformity with the Franco-Soviet agreements on the development of economic, technological and industrial co-operation, the countries are at present working out a programme of expanding co-operation. Soviet-French co-operation is successfully growing in such important areas as the peaceful use of atomic energy and outer space, colour television, mutual supplies of industrial equipment and consumer goods, scientific and technological co-operation in the leading branches of industry. The increasing economic and scientific contacts between the USSR and France are being aided by a realistic French foreign policy on a number of important international issues. This makes it possible increas-

¹ *Izvestia*, December 10, 1969.

¹ *Izvestia*, December 6, 1969.

ingly to pool efforts for the purpose of improving the international situation in Europe and other parts of the world.

Economic relations between the USSR and Japan are another example of the wide-scale opportunities for developing business co-operation. A joint meeting of Soviet-Japanese and Japanese-Soviet business co-operation committees was held in February 1972. As the unanimously adopted joint communiqué made clear, a useful exchange of opinion took place on deliveries to Japan of Tyumen oil, the building of an oil pipeline to the port of Nakhodka and an oil storage wharf, the processing of Yakut coal, prospecting of the Sakhalin shelf for oil and gas and scientific and technological co-operation. The two sides also talked of implementing recommendations of the previous meeting for a general agreement on co-operation in building a port in Wrangel Bay, on the delivery to Japan of industrial chips and pulpwood out of deciduous trees in exchange for Japanese deliveries of equipment, plant and materials. The head of the Soviet delegation emphasised that the projects being prepared by the committees of both countries were intended for a period of 15-20 years; the very fact of their long-term character should encourage the maintenance and consolidation of friendly and good-neighbourly relations between the USSR and Japan.

In striving to promote businesslike co-operation with other countries, the socialist states by no means underestimate the problems involved. They do not, obviously, regard external economic contacts exclusively from a commercial viewpoint, isolated from the problem of class struggle on an international scale. This sphere is one of struggle and competition between the two opposed world social systems. The processes of economic co-operation and the division of labour between them are dialectically contradictory. This sphere of activity is essentially a form of class struggle. Lenin described the tasks facing the young Soviet state in foreign trade as follows: "We must manage, by taking advantage of the peculiarities of the capitalist world and the capitalist avidity for raw materials, to derive all the benefits that would help us to consolidate our economic positions among the capitalists, strange as that may sound" and "...every effort of that kind is, as I have said, a continuation of the struggle between capitalism and socialism. This struggle has assumed new forms, but it remains a struggle nonetheless".¹

It is hardly surprising that economic relations with socialist states should be the object of attack from the more reactionary forces which endeavour to prevent their development, and to use them for foreign policy speculation. While they develop on the basis of objectively existing requirements for raising the productive forces, the economic relations between states with different social systems reflect the economic competition of the two systems and are an area of conflict of contradictory economic laws. On the one hand, the large orders of the socialist states help capitalist firms to normalise the reproduction of capital; on the other, the strengthening of socialist positions in the world market undermines the basis of the mechanism for obtaining superprofits by means of exploiting the developing countries; it facilitates the struggle of small and medium-sized countries for their national interests and against expansion of the largest imperialist powers.

It is evident that one cannot associate the integrational processes exclusively with economic requirements without considering their role in the two-system competition. Integration is a means of increasing the efficiency of production and of using to a maximum the advantages of integration within the bounds of the socialist community. Furthermore, by itself integration can fully conform to the interests of the socialist states for their partners in integration are countries with a similar type of social system. The socialist states, in establishing close production contacts with capitalist countries, are bound to take account of the need to safeguard the socialist economy from the influence of the economic laws of capitalism and the political manoeuvres of the imperialists.

While encouraging trade and other forms of economic co-operation with capitalist states, the socialist countries fight universally to extend the sphere of application of and the most consistent adherence to general democratic principles of international intercourse, both in their own interests and in those of other states, especially developing countries. They expose and counterpose any attempts at *diktat* or arbitrary rule on the part of the imperialist monopolies. They consider it worth employing, on a mutually beneficial basis, the advantages of the world division of labour and of world scientific and technological progress.

The development of economic relations between capitalist and socialist countries, however, cannot reach a pitch which, for objective reasons, would lead to their economic coming-together. It is impossible to create common proportions

¹ V. I. Lenin, *Collected Works*, Vol. 32, pp. 309, 310.

between the socialist and capitalist economies which would embrace important spheres of national economies and substantially affect their development, due to radical difference in the principles and methods of conducting the economy, the goals of production, the paths of improving production, and objective economic laws. On the other hand, the very attempt at such a coming-together could only have an adverse effect on the socialist economy. Even the economically advanced capitalist states feel the effect of the harmful aspects of international capitalist economic relations with their anarchy and competition. The socialist states are bound to take account of these deficiencies.

Despite their immeasurably improved economic potential, the socialist states still face the task of strengthening their technological and economic independence from the capitalist world, of a reliable protection of their economy from the anarchy of the world capitalist market and imperialist political manoeuvres. To give but one example, West German ruling circles a few years ago suddenly cut off their supplies of pipes to the Soviet Union, hoping to wreak havoc with the Soviet economy; it was only due to the Soviet ability quickly to organise manufacture of pipes on a large scale that forced the West German regime to abandon its attempts at sabotaging trade relations with the USSR.

The socialist countries must not, therefore, drop their guard; they must take all measures necessary to safeguard themselves from any imperialist attempts at using economic relations for political blackmail. With the world socialist system in progress, the question of securing technological and economic independence from the capitalist world can only be met by the socialist states working together.

Although the socialist states strive to develop economic ties with all countries, including the industrial imperialist powers, the main direction of their external economic activity is to co-operate with fraternal states; this fully accords with the aim of comprehensive strengthening of their national economies.

The gradual change in the role played by developing states in world economic relations is an important feature of the world economy. Although they, too, are involved in the process of eliminating economic exclusiveness, the emergent international interconnections of reproduction processes remain very superficial and have a slow-working effect on many sectors of the economy. The chief factor here is that the international relations inherent in the world capitalist economy embody

relations of exploitation of the developing states by the imperialist powers; they retain and even intensify the differences in national levels of economic development. Only for a few industrial states does the extension of mutual economic relations serve to level out economic standards, but with an accompanying increase in the unevenness of development. The conditions of the world capitalist economy are such that newly independent states are bound to experience mounting difficulties in their attempts to improve their economy within the framework of economic relations with the industrial capitalist states.

The mutual dependence between industrial and economically backward countries in the capitalist world is complex and many-sided, but its basic feature is precisely that a main factor of economic development in industrial states is their use of the backwardness of a larger part of the capitalist world. It is undeniable that stable international reproduction proportions have formed between the industrial and backward sections of the world capitalist economy; a break in economic relations between these areas would lead to economic difficulties for both sides. One also has to face the consideration that factors operate in the world capitalist economy which tend to weaken the dependence of the economies of industrial states on their relations with economically backward countries. This is explained by the growing importance of specialisation and co-operation in the manufacturing industry for ensuring extended reproduction of capital, partial replacement of natural raw materials by synthetics and by a number of other circumstances. The evident trend towards concentration of the external economic relations of industrial capitalist states in the economically more developed regions of the world capitalist economy certainly does not improve the position of the developing states within the world capitalist system.

As the weakest link in the world capitalist economic system, the developing states suffer simultaneously both from their close ties with the industrial capitalist states, from their obviously exploiting nature and from the trend towards priority development of economic relations within the bounds of the group of industrial capitalist states, and from integrational processes within it. In the past, imperialism had prevented—and is today still trying to prevent—the creation in the ex-colonies and dependencies of a firm national base for economic development; it has isolated them from progressive economic tendencies which would guarantee them an indepen-

dent role in the world economy. It causes the developing states considerable difficulties and, in the event of a restricted scale of operation, even unequal economic relations between them and the industrial capitalist states. The world knows, of course, of the immense difficulties experienced by countries with a monoculture economy when they have to suffer a cutback in purchases of their products on the world capitalist market.

Therein lies one of the basic antagonistic contradictions of the world capitalist economy; it stems from the vast differences in economic levels and living standards between the two opposing groups within the framework of the world capitalist system; it stems also from the social essence of the international economic relations inherent in it and increasingly undermines the foundations of this system. At the present stage of the world capitalist economy, this contradiction along with other capitalist contradictions has acquired new aspects and new forms of manifestation. The newly independent states, naturally, cannot immediately free themselves from their "traditional" external economic relations or radically change the nature of their participation in the international division of labour. However, by remaining within the world capitalist economy and still serving as an important field of activity for the imperialist monopolies, they are increasingly becoming the centre of centrifugal forces within that economy.

Their fight to have international economic relations reflect their interests, to rid their relations with imperialist states of their former colonial content and to change the character of the international division of labour in the world capitalist economy is a form of the anti-imperialist struggle and a manifestation of the contradiction between them and the imperialist powers. The massive scope of the national liberation movement, the transfer of the centre of the liberation struggle to economic development, and the growth of elements of social progress within this movement serve as an important factor that is undermining capitalism and causing confusion in the operation of individual elements of the international mechanism for extended reproduction of capital; it is making it necessary to reconstruct this mechanism.

The political and geographical reorientation of the external economic relations of the newly independent states and the priority development of economic relations with socialist states could be the fullest and most radical resolution of the problem in changing the status occupied by young national states within the international division of labour. Such a solution is being

prepared by the internal social processes within the newly independent states which are creating conditions for them to take the non-capitalist path of development, serving as a preparatory stage for launching socialist reforms. This does not imply any self-isolation from countries of the world capitalist economy, including the imperialist states. Thanks to co-operation with the socialist countries, the anti-imperialist struggle is acquiring a more solid basis; a more rapid and consistent rupture with the unequal division of labour is becoming possible between these states and the imperialist powers.

At the present stage of world social development, "weak links" are forming in the world capitalist economic system within the zone of national liberation. Prerequisites develop for accelerated social progress and for socialist revolution. A qualitatively new balance of social forces is gradually arising in the world capitalist economy. No longer is there a situation in which the colonies and dependencies were the only object of the exploiting activity of the monopolies of the imperialist powers, when the centrifugal forces in the mutual relations between them, growing with the increase in national liberation movements, operated basically in the sphere of social and political affairs and virtually found no outlet in international economic relations.

The anti-imperialist struggle is today concentrated particularly on the economic front. Progressive national states are consolidating their positions and starting to change internal social relations, choosing the non-capitalist path of development, strengthening relations with socialist states and the struggle to overcome the restrictions caused by their inclusion in the world capitalist economy; they are opposing the unequal external economic ties that emanate from that situation.

In the meantime the increasingly close economic co-operation between the socialist and young national states serves as an effective means of anti-imperialist struggle. The division of labour that is forming between them is becoming an important factor in the revolutionary transformation of world economic relations. The Directives of the 24th Congress of the CPSU for the Five-Year Economic Development Plan of the USSR for 1971-1975 envisage a further extension of external economic relations between the USSR and the developing states of Asia, Africa and Latin America. Meanwhile, with many of them, Soviet trade and economic co-operation is entering a new stage when one can already speak of firmly

based mutually advantageous economic relations. Co-operation based on the principles of equality and respect for mutual interests is acquiring the character of a stable division of labour counterposed to the imperialist exploitation in international economic relations. Thanks to help from the socialist states, more favourable conditions are forming both for comprehensive economic development in the newly independent states and for progressive shifts in the social structure of their economies. The taking by several newly emergent nations of the non-capitalist path of development signifies the formation of important social conditions for the beginning of their economic coming-together with socialist states on the basis of close collaboration in a spirit of equality, mutual benefit and mutual assistance. Elements of this economic approximation of these two groups of countries will serve as an increasingly vivid example of the growing authority of the socialist community, of its mounting role in international affairs, as a witness to the disintegration of the world capitalist economic system, the appearance within it of increasingly great revolutionising tendencies that are leading to a radical change in the status of the young national states in the world economy.

Greater co-operation between the socialist and developing states on questions of mutual interest helps to resolve many problems of economic construction in the newly emergent states. Conditions are maturing for organising the planned division of labour between the socialist countries and those national states just beginning a non-capitalist development. The establishment of close production links on a large scale between the states and the organisation of production specialisation and co-operation between them, especially in the processing industry and its modern branches of production, may substantially facilitate progress in the liberated states from the very beginning of their non-capitalist development and help them in their choice of the brand of industrialisation which most effectively coincides with their specific conditions.

Co-operation with socialist states enables developing countries to use the possibilities of international exchange emanating from the extant production potential and from the remaining one-sided economic structure inherited from the colonial past; they may make full use of this even before they create their own industrial base in the most advantageous form. Together with the new social nature of economic relations between the two groups of states, these ties will gradually acquire a new material content reflecting the

creation of modern material and technological basis whose formation will take place in an increasingly close and balanced interlinking with the world socialist economic system. The specific type of division of labour between them and the socialist states will grow into the socialist international division of labour in pace with social progress and the transition of these states to the solution of problems of socialist construction.

This process of the progressive transformation of the world economy may be greatly encouraged by the joint forces of the CMEA countries in providing credit facilities for the developing states, furthering multilateral production co-operation with these states, working out long-term forecasts and programmes for their economic development.

The interests of both developing and socialist states, therefore, require the further expansion of economic co-operation between them. It has a profound social content, in as much as it expresses the growing economic bond between the world socialist system and the zone of national liberation, the strengthening alliance of the working class—the leading class in the socialist states—with the working people of the newly independent states for the sake of the joint anti-imperialist struggle and of world social progress. This co-operation is a major factor facilitating the detachment of the national states from the imperialist system of international economic relations and it serves as a vital element in all material conditions that guarantee the possibility of the young progressive states having a socialist orientation.

History shows that socialism is intensifying its onslaught on capitalism with every year. A firm foundation is already laid in the world for further decisive victories of socialism. The creation of the world socialist system and its increasing transformation into the decisive factor of social development is the greatest achievement of the international working class. The strengthening of the power and solidarity of the socialist community brings closer the complete triumph of Marxist-Leninist ideas the world over. The principal historic trend in the present epoch is towards the detachment from the world capitalist system of one country after another and their attachment to the world socialist system. This trend will increasingly determine the future of human society.

**THE EXPERIENCE
OF BUILDING UP PRODUCTIVE FORCES
WITHIN THE WORLD SOCIALIST ECONOMY**

Lenin's ideas concerning the harmonious combination under socialist conditions of the all-round prosperity of each nation and the growing unity of all nations find expression in the world socialist economy. Socialism creates conditions conducive to the growth of the national economies of the socialist states.

By contrast with Soviet economic development when the country was in a capitalist encirclement, economic development in the other socialist states is proceeding in quite a different situation—the existence of the world socialist system with the world balance of power between socialism and capitalism radically changed in favour of socialism. Every socialist state has the chance to use the experience and rely on the all-round support of other fraternal countries. This greatly helps each country to tackle its economic problems. A whole number of factors in the world socialist system extends the economic horizons of each country. For the first time in history, mutual economic relations of an entire group of countries are wholly subordinated to the tasks of common development; the principles of comradely co-operation and mutual assistance have underlie the multifarious economic relations between states.

Lenin attributed much importance to the accumulation, study and utilisation of the experience of revolutionary transformation of society. As the fraternal Parties have emphasised, it is particularly important for them to take account of and use creatively the rich Soviet experience of building socialism, despite the particular complexity of the situation in which this construction took place and which

inevitably coloured its particular forms and methods. Guiding socialist construction in the Soviet Union, the Communist Party of the USSR worked out and implemented basic principles, based on Marxism-Leninism, of socialist social transformation expressing the objective requirements of social progress and the laws of the revolutionary replacement of the capitalist by the socialist system. Therein lies the great historic service of the CPSU which has, in practice, made specific and implemented the scientific forecasts of Marx, Engels and Lenin. The Party has protected the purity of Marxist-Leninist teaching and resolutely repulsed attempts by all manner of deviationists to distort the major principles of socialist construction. In its Programme, the Party states: "As a result of the devoted labour of the Soviet people and the theoretical and practical activities of the Communist Party of the Soviet Union, *there exists in the world a socialist society that is a reality and a science of socialist construction that has been tested in practice. The highroad to socialism has been paved.* Many peoples are already marching along it, and it will be taken sooner or later by all peoples."¹

The countries that took the road of socialism after World War II were able to use the experience accumulated by the Soviet Union. Of course, the conditions in which socialism was being built in the USSR were bound to put their imprint on the ways and means of practical implementation of the basic principles of social change. The CPSU took strict account of the specific situation and endeavoured to use the ways and means which most fully corresponded to the situation and were either the only possible approach or were most likely, in the circumstances, to ensure the greatest success. However, despite the great variety of ways and means of socialist change in the USSR, their content reflected the universal objective laws of the struggle for socialism. The creative use of Soviet experience by other socialist states, therefore, was an exceedingly important factor in their successful negotiation of the transition from capitalism to socialism.

From the very beginning, Lenin developed the theory of socialist revolution and socialist construction as a theory of universal, international importance. His evaluation of the national and international aspects of experience of revolutionary change in the USSR was an essential component of that theory. He foresaw the historic significance of the experience of the Great October Socialist Revolution and socialist con-

¹ *The Road to Communism*, p. 463.

struction in the USSR. The general laws of building a new society were realised for the first time in the USSR. It is very important to bear the following factors in mind: the acuteness of the class struggle at home and abroad and other conditions of socialist revolution and socialist construction in the USSR; the rich experience of the CPSU in fighting various forms of deviationists for the purity of Marxist-Leninist theory. All this predetermined the special contours of socialist change in the Soviet Union as regards many general laws of building the new society and required an especially uncompromising consistency and resolution in their implementation and the forced solution to a whole number of tasks.

In summing up the early socialist experience in Russia and that of the international communist and working-class movement, Lenin concluded that "Bolshevism has become the world-wide theory and tactics of the international proletariat".¹ He foresaw that "certain fundamental features of our revolution have a significance that is not local, or peculiarly national, or Russian alone, but international".² Based on this, he pointed out that "on certain very important questions of the proletarian revolution, all countries will inevitably have to do what Russia has done".³

At the same time, Lenin often emphasised the objective need to take account of the conditions of each country, to refrain from a mechanical copying of any experience, to take a creative approach to determining the ways and means of socialist change in regard to a specific situation and to make an independent elaboration of tactics. In 1919, therefore, when a revolution occurred in Hungary, Lenin noted in a radio message to Béla Kun: "It is altogether beyond doubt that it would be a mistake merely to imitate our Russian tactics in all details in the specific conditions of the Hungarian revolution. I must warn you against this mistake."⁴

Lenin foresaw the immense part that would be played by the collective experience of several socialist states, both for a deeper understanding of the universally significant laws of social development and for revealing every possible variety of ways to build socialism. He warned many times against a one-sided approach to the problems of building socialism and

¹ V. I. Lenin, *Collected Works*, Vol. 28, p. 116.

² *Ibid.*, Vol. 31, p. 21.

³ *Ibid.*, Vol. 31, p. 31.

⁴ *Ibid.*, Vol. 29, p. 227.

he emphasised the importance of an accumulation of experience for resolving these problems in a few countries in different conditions, indicating that "complete socialism" is formed "by the revolutionary co-operation of the proletarians of all countries" and is created "by a series of attempts—each of which, taken by itself, will be one-sided and will suffer from certain inconsistencies...".¹ Collective experience is necessary for obtaining the most expedient means of revolutionary social change and for the complete utilisation of the advantages of the new system.

With the appearance of the world socialist system, an exchange of experience became possible on socialist construction in different countries. This exchange is one of the most important forms of socialist co-operation. The Communist and Workers' Parties, which guide social development in the socialist states, carefully examine the experience accumulated by fraternal countries, extract from it those aspects which are governed not by the unique and specific conditions of a particular country but the most amenable general principles of socialist construction with prime account for the general laws of building the new society. These facets of national experience are creatively used by the ruling Parties of other socialist states in their practical activity with account for local conditions; they thereby find wider application and become internationalised.

As was underlined in the Central Committee report to the 24th Congress of the CPSU, "Successes in socialist construction largely depend on the correct combination of the general and the nationally specific in social development. Not only are we now theoretically aware but also have been convinced in practice that the way to socialism and its main features are determined by the general regularities, which are inherent in the development of all the socialist countries. We are also aware that the effect of the general laws is manifested in different forms consistent with concrete historical conditions and national specifics. It is impossible to build socialism without basing oneself on general laws or taking account of the concrete historical specifics of each country. Nor is it possible without a consideration of both these factors correctly to develop relations between the socialist states."²

The world socialist system has today gathered and continues to gather rich collective experience in tackling problems of

¹ V. I. Lenin, *Collected Works*, Vol. 27, p. 346.

² 24th Congress of the CPSU, pp. 9-10.

economic development. It includes the experience of the USSR, the world's first socialist state which has built socialism in especially difficult circumstances of capitalist encirclement. Today, the socialist community also has at its disposal the experience of economic development of countries that were, at the time of their revolutions, at very diverse stages of social and economic development.

The treasure-house of collective experience of socialist construction is also contributed to by countries in which by the time of the people's victory capitalism had quite deeply penetrated into all branches of the economy, even though it could not ensure an upsurge in national productive forces; countries which are in transition from feudalism to socialism, bypassing the capitalist stage of development; countries that had existed as independent states, though dependent upon foreign capital, and countries that had been colonies or semi-colonies of imperialist states; countries that had possessed a relatively diversified economy, and countries with a monocultural economy. Of great importance, too, is the experience of socialist economic reconstruction in the German Democratic Republic and Czechoslovakia, that had been advanced industrial states. By virtue of the law of uneven economic and political development under capitalism and of the specific historic conditions that developed at the end of the last war and in the immediate post-war years, most states, which began to build socialism and formed the world socialist system together with the Soviet Union, were in the category of economically backward countries. Their experience has shown that they could not overcome their backwardness through capitalist development. Most of the socialist states had completely to resolve the task of socialist industrialisation, that is, create a modern socialist industry and convert themselves from backward agrarian into advanced industrial states.

The experience of the fraternal states has confirmed Lenin's ideas concerning the economic upsurge of previously backward states which take the socialist path. The Declaration of the Meeting of Communist and Workers' Parties in 1960 stressed the following aspects of scientifically based socialist economic management: an all-round increase in labour productivity on the basis of continual technological progress, planned economic management, constant observance of the Leninist principles of material interest and comprehensive development of moral labour stimuli for the good of society by enhancing popular political awareness and control over the

measure of labour and consumption. A scientific elaboration of economic policy and observance of the principles of socialist economic management serve as a guarantee of the successful economic development of the socialist states. At the same time, the experience of fraternal states has shown how varied can be the specific manifestation of socialist economic development in individual countries and how important it is to take a creative approach to specify tasks of industrialisation and the methods of resolving them in a particular situation.

As historical experience testifies, economic prosperity under socialism is inseparable from a socialist reconstruction of social relations. The victory of popular government and the transition to socialist construction have meant a real break in the dynamics of the productive forces. It has become possible, in a historically brief span, completely to overcome age-old backwardness inherited from capitalism. By their practical achievements in industrialisation, the socialist states have demonstrated that only the socialist path of development makes it possible to ensure a rate of production growth that enables them, in the lifetime of a single generation, to advance from being economically backward to economically advanced.

The dynamics of production of material values serves, to a large extent, as an indication of the extent to which social conditions in a particular country encourage the development of productive forces and help society to master existing and create new resources for economic development. Of course, these new economic growth rates are a consequence of the interaction of many factors, including those not connected with the social nature of production in general or, at least, unconnected at the present time (for example, the self-sufficiency of a country in natural wealth or particular features of demographic development inherited from the old regime). Nonetheless, all other conditions being equal, it is precisely the social system that predetermines the degree of mastery over production capacities and the dynamics of production efficiency. The dynamics of production depends, first and foremost, on the social nature of production.

Rich practical experience, as well as theoretical analysis, today show that the transition to socialism enables countries to use the vast reserves for expanding production.

Many facts may be adduced to prove this. For example, we may compare the growth rate of socialist production with that of capitalist and petty-commodity production that had existed in the same country earlier. Such a comparison can only be

valid if it is made within a relatively short historical period in which no radical changes were made to the techno-economic foundations of world production. When we make such a comparison, we can see the advantages of socialist forms of economy. During the 1950s, for example, the European socialist countries developed their economies approximately three times faster than they had in the past under a bourgeois-landlord system, even in the years of most favourable economic conditions.

No less eloquent is the evidence in favour of socialism when we compare the current growth rates of the productive forces in the socialist and capitalist worlds. Between 1938 and 1971, the volume of industrial production in the world increased approximately 6.4 times, while that of the socialist states grew by some 14 times and that of capitalist states only 4.6-fold. While, in 1950, gross industrial output per head of population in CMEA countries was just about equal to the average world level, today it is over three times higher than the average world figure. The world socialist economy is superior in rates of production growth not only over the world capitalist system as a whole, but also over the economies of the group of highly industrialised capitalist states. The average annual increment in industrial output within the socialist community has, in recent years, exceeded the whole annual output of France or has approximated to the entire production of Japan. The law-governed nature of the high and stable growth rates of socialist production is an irrefutable historical fact. Lenin's forecast has been borne out: "Nobody believes that any important change can be achieved at a fantastic speed; but we do believe in real speed, speed compared with the rate of development in any period in history you like to take—especially if progress is guided by a genuinely revolutionary party; and this speed we shall achieve at all costs."¹

The relatively high and stable production growth rates in most of the socialist states, particularly the USSR, have ensured a steady increase in industrial production over the world socialist system as a whole. The annual rate of increment of gross industrial output in the socialist community between 1961 and 1970 averaged 7.4 per cent. Despite the fact that throughout the 1960s, several economically developed capitalist states experienced sporadic high accelerated industrial growth, the average annual rate of increment in CMEA states

¹ V. I. Lenin, *Collected Works*, Vol. 33, p. 392.

was 50 per cent greater than in the industrial capitalist countries. In the period 1966-1970, the aggregate industrial output of CMEA member countries increased almost by 49 per cent, which means they had achieved a level of industrial production envisaged in the aggregate five-year plans of all CMEA countries for that period. The industrial production increment alone for the five-year plan period is approximately equivalent to three-quarters of the present total annual production of the Common Market states plus Japan, i.e., the group of states which account for a quarter of the entire industrial output of the capitalist world.

The rapid growth in national income is another important index of socialist economic development. Between 1950 and 1970, the national income of all CMEA member states taken together rose 4.8 times. The average annual rate of increment of aggregate national income of CMEA states for 1951-1970 was 8.2 per cent, i.e., it exceeded by more than 80 per cent the average annual rate of increment of national income in the industrial capitalist countries. The rate of increase of national income in the socialist states has considerably exceeded the population growth rate; as a result, per capita national income grew 270 per cent in the years 1950-1970. In the period 1966-1970, the aggregate national income of CMEA states increased by 42.5 per cent, i.e., the rate of national income growth exceeded the rate of population increase almost by 9 times.

The CMEA member states now belong to the group of countries with a high national income growth rate, which has been approximately double that in the industrial capitalist states over the past two decades. For this reason, their share in world national income has steadily grown and is today about a quarter of that figure. Per capita national income in CMEA countries is today 2.5 times greater than the world average.

In not one of the major capitalist states of Europe and North America did per capita national income increase on such a scale as in the CMEA member states, taken together, during that period; on the contrary, in some capitalist countries, its growth was substantially lower. Between 1950 and 1970, the national income of Britain rose by only 1.7 times, that of the USA—by 2, of France—by 2.9, and of the FRG—by 3.5. By comparison, the Soviet national income grew by 5.3 times in that period.

The CMEA countries have widely mobilised their existing economic resources and not only achieved, in the 1966-1970

period, a rapid growth in production, but also attained a certain improvement in many qualitative indicators of economic development. Compared with the previous five years, many countries increased productivity even faster, improved the use of production assets and increased economic accumulation. At the same time, they substantially improved living standards. The total results of their recent economic development have created a firm basis for a further sure advance.

The rapid economic growth of the socialist states, however, does not occur automatically. The advantages being created by the socialist social system are not realised in a spontaneous way; they need a well-grounded economic policy that enables the countries to use all resources in the most rational way. The rate of socialist economic development does more than reflect the progressive character of the new social system; it serves as an indicator, to a greater or lesser extent, of the practical utilisation of the objectively existing potential of the advanced social organisation of production. On this foundation, the ruling Marxist-Leninist parties are studying the problems of the socialist economy with increasing profundity and taking steps more fully to extract the greatest benefit and reveal unused reserves on which basis they may bring into play fresh and powerful factors for increasing productive forces.

The rise of productive forces bears witness to the fact that, as socialist society develops, greater attention has to be paid both to quantitative growth and, in particular, to a qualitative improvement of production. That means they need to concentrate efforts on implementing scientific and technological revolution, further to remodel sectoral structure and to increase economic efficiency of production.

Further success in building socialism and communism depends primarily on improved methods of economic management and on the practical use of socialism's economic laws. An immense creative endeavour has been invested of late in the CMEA countries to enrich the theory and practice of the rational functioning of the socialist economy. Exceptionally valuable experience is being accumulated for creating advanced methods of socialist economic management that are adequate for exploiting the potential and meeting the requirements of developed socialist society.

They are paying particular attention to improved socialist planning. In drawing up plans, they are increasingly taking into consideration the long-term trends in science and

technology, the possibilities for improving the efficient use of production assets and the tasks of improving economic proportions. They are perfecting economic management, more rationally distributing the functions of economic guidance among various branches of management and strengthening co-ordinated activity of each branch, irrespective of the departmental subordination of individual enterprises.

A great deal of work is under way in ensuring a closer link between centralised planning and material stimulation of production, a fuller use of the mechanism of socialist commodity-money relations, an improvement in the operative autonomy of enterprises and groups of enterprises with a guaranteed uniform state policy in regard to principal economic issues. The criterion of economic efficiency is uppermost in evaluating the economic activity of an enterprise; cost-accounting principles must be more consistently implemented. The role of moral stimuli in regard to work is growing, along with greater material stimulation.

The socialist experience testifies to the importance of a comprehensive settlement of tasks of improving socialist economic management by taking into consideration the aggregate of economic and social problems of social development. Economic management will be increasingly based on a science of management, a wide-scale use of mathematical methods and the latest computer techniques. In their economic development, the socialist states are successfully tackling the most complex economic issues such as accumulation, creation of a skilled work force, formation of a rational economic structure and changes in the part they play in the international division of labour.

Accumulation is among the most acute problems confronting economically underdeveloped states which are beginning to industrialise. Before the victory of popular power, the previously backward countries which now form the world socialist system were unable to resolve this problem. It was not simply a matter of the low national income produced; most of it was appropriated by the exploiting classes and used for their personal parasitic consumption within the country or was exported in the form of profits of foreign monopolies or interest on foreign loans. The exploiting classes used only an insignificant part of their income for productive purposes. The flow of foreign capital was exceeded many times by the outflow of resources. Between 1924 and 1944, according to incomplete

statistics, over 1,000 million leva were extracted from Bulgaria. In the same period, the exploiting classes allotted to capital investment no more than 4-5 per cent of national income every year. Such a low level of accumulation did not create the material basis for overcoming the country's economic backwardness.

During the years of popular government, the sharp increase in the growth rate of the entire national income has become the basis for a further systematic increase in accumulation funds; social conditions now exist that encourage more efficient accumulation. As a rule, the share of accumulation in the national income of the socialist states is between a quarter and a fifth. As the socialist forms of economy are reinforced, they become the basic source of funds for capital investment, while the share of the funds provided by the people for the state budget steadily diminishes.

The role of various economic sectors in creating economic accumulation alters as a result of the growth of productive forces. Initially, in the previously backward countries, most of accumulation was inevitably mobilised in agriculture; as they overcame the agrarian character of their economies, the role of industry in creating accumulation grew and became dominant. Thus, socialist industrialisation multiplies the sources of accumulation and creates every possibility for a steady growth in capital investment.

The total capital investment in CMEA countries through national income and depreciation funds grew almost 7 times between 1950 and 1970, and doubled between 1960 and 1970. In Bulgaria, capital investment in 1970 exceeded the 1950 figure by 11 times, in Czechoslovakia—4.6, in the German Democratic Republic—9.1, in Hungary—4.2, in Mongolia—26, in Poland—5.4, in Rumania—13 and in the USSR—6.4 times. The total capital investment in Mongolia increased much faster than in other CMEA member states. Thus, the rate of increment in capital investment for the above-mentioned period was highest in Mongolia, Rumania and Bulgaria, and lowest in Czechoslovakia and Hungary. These differences are attributable to the dissimilar rates of growth of national income, the different share of accumulation in the national income, the varying amounts of depreciation funds and a certain redistribution of funds among countries via credits and disinterested aid. For example, the high rate of investment growth in the Mongolian economy is due largely to credit assistance from the fraternal states. The relatively slow

growth in Hungary may be largely explained by the lower rates of national income growth.

The existence of the world socialist system has, to a large extent, benefited settlement of accumulation problems. The defence capability of the socialist states is ensured by their joint efforts, especially the great contribution by the Soviet Union. Each of the fraternal states, therefore, may apportion to defensive objectives a smaller share of their funds than the Soviet Union had to do when it was surrounded by capitalist states. Nevertheless, the socialist countries are forced to spend certain resources on defence needs, which they must divert from direct industrialisation needs. That these efforts are necessary is due to the fact that the imperialist powers have time and again nurtured their aggressive plans and did not stop at various adventurist schemes to halt the changing balance of power in the world in favour of socialism. There have been such facts as American aggression against North Korea in the early 1950s, against the peoples of Indochina and of Cuba, the formation of various US-sponsored military blocs directed against the socialist states.

In coping with the accumulation problem within the world socialist system, member states are able to concentrate their efforts on creating and expanding a number of sectors for which they have favourable conditions. There is no need for them to create all types of production, including in heavy industry, without considering their own conditions; this would be an insuperable task for small and even medium-sized countries. At the same time, thanks to the great mutually advantageous trade with fraternal states, each socialist country can satisfy its needs for those commodities which it does not produce itself. This thereby diminishes the pressure on financing the economy and greater efficiency is achieved in utilising accumulated funds.

Finally, the previously backward states are able much more to rely on foreign sources of accumulation for industrialisation than the Soviet Union was able to do. Indeed, the internal accumulation of each country continues to remain a basic factor of its economic development, but fraternal co-operation and mutual assistance within the world socialist system find their expression in the offering of credits and loans on advantageous terms and, in certain circumstances, also of disinterested aid to countries which are having difficulties in financing their economic programmes. That means that a country offering aid puts part of its own national income at the

disposal of another country. Thanks to that, a country receiving such credit, loan or disinterested aid is better able to resolve its accumulation problem.

The more economically advanced socialist states, the Soviet Union above all, are able to give such assistance to the fraternal countries. Between 1947 and 1962, for example, Soviet credits and loans constituted virtually a quarter of all state capital investment in the Bulgarian economy, almost 7 per cent in Poland between 1950 and 1957, 8 per cent in Hungary between 1947 and 1957, and 6 per cent in Rumania between 1950 and 1957. In the years 1958-1960 alone, Rumania was able to cover almost one-third of her plant and machinery imports through long-term credits from the Soviet Union. Soviet credit to Hungary for its second five-year plan (1961-1965) accounted for approximately 14 per cent of the value of the planned imports of plant and machinery in that period. The economic assistance given by socialist states to the Korean People's Democratic Republic between 1954 and 1956 was on average 23.6 per cent of state budget revenues, and in the Democratic Republic of Vietnam between 1955 and 1960—from 17.8 to 80.7 per cent.

Credit relations between socialist states pursue the objective of extending the material and technological basis of countries receiving credit assistance, particularly in creating and strengthening the leading branches of industry. They abhor the export of capital which takes place in the world capitalist economic system. The countries which offer credit facilities do not insist upon any terms that would be detrimental to the recipient, nor do they attempt systematically to shift part of the national income from debtor-countries. They sincerely strive to expand the financial and material resources of the economically less developed states and, by helping to increase the scale of production, to facilitate the resolution of problems of increasing their own accumulation. From 1945 until 1967, the USSR provided other socialist countries with credits to the sum of some 9,000 million rubles.

The redistribution of national income among socialist states cannot, however, be a leading form of their economic co-operation and cannot play a leading role in eliminating the essential differences in levels of economic development in individual states. Although credit facilities accelerate the economic growth of the economically less developed countries, it diminishes the amount of capital investment in the creditor-countries. The aggregate accumulation fund within

the entire world socialist economic system remains static. It is more sensible, therefore, for economic co-operation of the socialist countries to be based on accelerated growth of productive forces in the economically less developed countries than on holding back economic development in the more developed states. The former should increase their rate of development through using every possibility most fully for production accumulation and for exploiting the advantages of the international socialist division of labour and other forms of economic co-operation among the fraternal states.

The stronger the socialist economies become, the less often arises the need to render direct unilateral assistance; joint efforts in resolving particular problems become more the order of the day. Countries interested in receiving certain minerals, for example, give credits to those countries which possess those minerals. They thereby receive guaranteed sources of raw materials and make it easier for fraternal states to expand industries with a long period of recoupment.

The major direction of socialist mutual assistance for economic development is aid in increasing the efficient employment of accumulated funds and all national resources. This is encouraged by the delivery of sophisticated and highly productive equipment and valuable raw materials, the exchange of know-how and co-operation in personnel training. The international socialist division of labour, which is increasing through co-ordinated national economic plans, is playing a growing role in increasing the effectiveness of accumulation. International specialisation and co-operation in production are leading to increased growth rates of production with a smaller expenditure of social labour both in individual socialist states and in the world socialist system as a whole. The entire system of economic relations between the socialist states is therefore aimed at guaranteeing increasingly advantageous terms of national economic development for all states in the system and, primarily, for those which had a burdensome economic legacy.

The countries of the world socialist system are tackling the task of ensuring technological and economic independence from imperialist powers in a new way. Without achieving such independence, they cannot fully guarantee themselves from various acts of economic discrimination, of economic and political blackmail by imperialist states and of other attempts by various means to harm the socialist economy. In the face of a capitalist encirclement, the Soviet Union had to force the pace of industrialisation so as to reinforce both its defence capability

and its technological and economic independence from the capitalist world. This inevitably caused tension in the economic forces of the country and restrained living standards.

The countries which took the socialist road after the last war ensure their technological and economic independence of the imperialist powers by joint efforts; powerful industry created in the Soviet Union during the years of socialist construction, in fact, has played and continues to play an important part in resolving this task. All imperialist attempts to restrain economic construction in the socialist states through economic pressure have met with defeat. The US embargo policy, for example, was unable to prevent Czechoslovakia developing her iron and steel industry. With Soviet aid in delivering the necessary plant and proffering other technical assistance, Czechoslovakia increased her iron and steel production at a rapid rate. Back in 1937, the rolled metal output (excluding pipes) in Czechoslovakia was 1,630,000 metric tons, and in 1948—1,776,000 metric tons, whereas in 1953 it was 2,733,000 metric tons, and in 1969—7,479,000 metric tons. The other socialist states have also often had to contend with imperialist embargo. But, due to the close co-operation and mutual assistance of countries in the world socialist system, embargoes have not been able to halt their development.

Within the world socialist system, countries that inherited economic backwardness from capitalism have an opportunity of relying on the production and scientific potential of industrially developed socialist states as a basis for their own industrial development. The delivery of plant and machinery and necessary raw and other materials, the granting of blueprints, technological specifications and other technical documentation, the exchange of experience, assistance in training specialists are all playing an important part in ensuring an economic upsurge in every socialist state.

By January 1, 1972, as many as 1,767 enterprises, installations and other projects had been built, were under construction or were to be erected in socialist countries with Soviet technical assistance under intergovernmental agreements, of which 1,141 were in CMEA countries; of these, 316 were in Mongolia, 246 in Bulgaria, 148 in Poland, 121 in Rumania, 81 in Hungary, 36 in Czechoslovakia, 34 in the German Democratic Republic and 159 in Cuba.

Approximately four-fifths of Soviet plant deliveries are for producer goods. For example, factories built with Soviet aid were producing in Bulgaria in 1962-1963 some 92 per cent of

all ferrous metal manufacture, 70 per cent of the non-ferrous production, 60 per cent of the chemical products, 50 per cent of the electricity and 100 per cent of the shipbuilding. In Poland, such factories accounted for over 20 per cent of all electricity generated, 31 per cent of the pig iron, 29 per cent of the steel, 23 per cent of the rolled metal and 100 per cent of the motor cars and tractors. In Rumania, they accounted for 42 per cent of the electricity, 27 per cent of the pig iron, 80 per cent of the metallurgical coke, 40 per cent of the superphosphate, and over 75 per cent of the high-quality rolled metal and piping. In Hungary, they accounted for 20 per cent of the steel, 40 per cent of the pig iron, 34 per cent of the rolled metal and 50 per cent of the ball bearings. As many as 256 large industrial enterprises and other projects, which are the basis of Chinese industry, were built with Soviet technical assistance.

Enterprises that have been and are being equipped with Soviet aid are often the most important enterprises in a particular economic sector and comprise a considerable part of all enterprises built during the years of people's power. Of the almost 500 large industrial enterprises commissioned during socialist construction in Poland, for example, about 100 have been built through deliveries of equipment and technical assistance from the Soviet Union.

The GDR and Czechoslovakia have also rendered considerable assistance to fraternal states. In turn, the previously backward socialist states are beginning to deliver machinery, plant and other manufactures to other, including industrial, socialist states as they develop their own industry. They help, thereby, the overall economic progress of the socialist world. Poland, for example, is making large deliveries to the Soviet Union of complete sets of equipment for the chemical industry.

The economically more advanced socialist states are enabling the fraternal countries widely to exploit the advantages of their science and technology. Between 1948 and 1968, the USSR presented other socialist states with some 75,000 sets of documentation, which included over 2,000 designs for the construction of industrial enterprises and other economic projects. The exchange of this documentation, including licences and patents, is negotiated among the socialist states in a disinterested way, that is, they pay only the cost of preparing the blueprints. This has had great importance in ensuring swift scientific progress in the formerly backward states, especially at the early stages of socialist industrialisation.

According to estimates, the value of the scientific and technological documentation given by the Soviet Union to other socialist states is in the region of 12,000 million rubles—if one takes the normal prices of the capitalist market for comparison. In the same period the Soviet Union received over 22,000 sets of documents from fraternal states. As a result of the growing economic power of the socialist states, in their scientific and technological co-operation, the division of labour acquires increasing importance in carrying out research and development. The need arises in the new circumstances to introduce elements of cost accounting to this co-operation between the socialist countries.

The establishment of socialist forms of economy has also ensured the settlement of full employment of all able-bodied people. Before the victory of popular government, chronic unemployment in the towns and agrarian overpopulation in the villages were characteristic features of the economic states of the countries that have now taken the socialist road. On the eve of World War II, for example, urban unemployment and hidden agricultural unemployment in Poland covered a third of the population. Millions of working people emigrated from Eastern Europe in the inter-war years in search of work. The revolutionary reform of the social nature of production enabled the state to ensure the use of financial and material resources which has ended unemployment and agrarian overpopulation. Socialist industrialisation has been a very effective method of rapidly expanding the number of jobs in non-agricultural sectors, especially in industry. This has enabled them not only to guarantee work to the urban population, but intensively to redistribute the employed between agriculture and non-agricultural sectors in favour of the latter. The establishment of peasant co-operatives has, in turn, helped to intensify farming and improve the use of manpower in the countryside.

According to statistics published by ILO, the socialist states in 1960 accounted for almost 42 per cent of the world total of employed, although the share of those countries in world population was only 34 per cent. This testifies to the fuller use of labour resources in the socialist states by contrast to capitalist countries.

Some socialist states sometimes encounter problems in their economic policy engendered by the fact that the presence of considerable manpower resources does not correspond to the overstrained sources for financing capital investment that

would enable them more fully and effectively to use labour resources. Bourgeois economists often maintain that economically backward states with considerable labour resources should make use of old-fashioned techniques and more widely employ manual labour. However, what is advocated as beneficial for economically backward countries is, in fact, only the commonplace ploy of imperialist monopolies to exploit cheap labour in those countries and to preserve their economic backwardness.

Socialist economists reject such ideas. They base their policy on higher productivity of social labour, which ensures a more intensive increase in national income than the employment level with stable productivity; it therefore also ensures a more intensive process of accumulation which, in turn, provides conditions for a more rapid creation of new and better-equipped jobs.

Socialist economists, of course, do not underestimate the importance of enhancing the degree of utilisation of society's labour resources and they regard the presence of manpower as an important potential factor in economic development. The economic policy of socialist states stems from the need to involve society's labour resources in production to a maximum. They nonetheless attribute a particularly important role precisely to increased efficiency of labour expenditure; they recognise the optimum policy of boosting production which expands through increased employment combined with higher productivity, while the share of output received through the latter should gradually increase.

A growth in accumulation from greater productivity, in turn, leads to a steady growth in economic demand for manpower. The growth in employment in the socialist states is accompanied by greater technological equipment and labour productivity. By contrast to early industrialisation, the volume of basic production funds and the supply of electricity per person employed in the industry of European socialist states had increased between two and four times by the early 1970s. Commonly, between 60 and 80 per cent of the annual increment in industrial output and some nine-tenths of the increase in national income are ensured through higher productivity.

One of the major conditions for industrialisation is the training of a national skilled labour force and working men capable of creating a new, strong production apparatus and of ensuring its operation. People's power has radically changed

the trade and professional structure of the employed population. During the years of socialist construction, the number of brain workers has sharply increased, including highly qualified specialists. The proportion of the population possessing a profession typical of modern mechanised production has substantially increased. The level of qualifications of workers has risen steadily, although, as the working class is constantly replenished by former peasants and other sections of the population without industrial experience, this has been an extremely difficult task.

The achievements of the socialist states in spreading general education among the widest sections of the population and creating, in a short period, a great number of qualified personnel in difficult trades for industry, transport, mechanised farming, science and culture serve as yet another indication of the settlement of vital problems in overcoming economic backwardness. In Bulgaria, for example, where illiteracy embraced a quarter of the population over seven years of age in 1944, there now is universal eight-year education and, in 1961, some 20 per cent of industrial and office workers had higher or secondary education (general or specialised). In Poland, in 1962, only 21 per cent of the industrial workers were without complete secondary education, while 50 per cent of their fathers and 56 per cent of their mothers were illiterate. In recent years, approximately 70 per cent of workers beginning their trade in various economic sectors were, in Poland, graduates of three-year vocational schools which had taken young people with an eight-year general education.

The socialist states have many specialists with higher education. Their total number in the CMEA member countries was over 8.5 million in 1970, while people with specialised secondary education numbered over 14 million. They have overtaken most of the industrial capitalist countries in rates of training specialists. Here, too, one sees the advantages of international co-operation within the world socialist system. The USSR, the GDR and Czechoslovakia have given much assistance to other countries in training skilled manpower.

Many important economic problems still have to be tackled for the socialist states substantially to increase the economic efficiency of social production. They include the creation of economic conditions conducive to the introduction of up-to-date technology, comprehensive mechanisation and automation of production. These conditions are being created by strengthening the production capacity to optimum propor-

tions so as to employ highly productive technology to the utmost. The socialist states are creating a rational economic complex in each country so as to guarantee the full utilisation of all the production possibilities of a given country and, in particular, of those conditions which encourage the development of certain sectors of production. This economic complex is a necessary condition for achieving the maximum level of social labour productivity in each socialist country. Just as urgent is the task of better ensuring the growing requirements of individual states for fuel and raw materials, caused by the great differences between CMEA countries in their possession of mineral deposits.

The resolution of these and other problems is the direct urgent task of economic construction in the CMEA member states. The rate of extended reproduction in the years to come and the possibilities for economic growth and higher living standards will depend on how successfully these problems are tackled.

A guarantee that these problems will be successfully negotiated is the fuller use of all internal resources of each country and the increasing economic co-operation between them; it is a matter of encouraging co-operation which is mutually beneficial and does not replace any internal factors of economic growth in each country, but, on the contrary, increases their action manifold. The experience of the development of states within the world socialist system convincingly shows that, without further strengthening economic relations between them, they cannot properly fulfil the economic tasks which confront them today or will confront them in the future. In many cases, the optimum rates of production can only be achieved on the basis of the international socialist division of labour. A rational economic complex is being formed on condition that the countries participate in the international specialisation of production. The fuel and raw material problem is being resolved through the international exchange of fuel and raw materials and the extension of credit facilities from countries interested in receiving these commodities to develop the extractive industry in countries that have the necessary minerals.

Economic analysis shows that a closed, self-sufficient economy cannot be regarded as a reliable support for extended reproduction. The incomplete nature of the raw material base of many socialist states, the insufficient supply of metal for engineering from their own resources and several

other reasons directly or indirectly, fully or partially, caused by natural factors make the international division of labour a prerequisite for the normal process of reproduction. No less obvious, however, is the fact that this division of labour is objectively necessary, primarily because of the operation of economic factors that determine the economic efficiency of production. The very possibility and rate of extended reproduction depend on them. The scattered nature of production and the extremely wide range of articles in a small amount of output of each particular type cause inordinately large production costs and radically undermine economic efficiency for employing new techniques and technology; they so raise the asset intensiveness and cost price of each unit product that they reduce to nought the possibility of obtaining the accumulation necessary for broadening the production base.

The most propitious conditions for extended reproduction exist when a well-justified complex of sectors is formed in a country, such as would enable it fully to use the advantages of concentration and combined production on the basis of the optimum scale of production capacity. But, in most cases, these demands of modern rational economic management cannot be realised without a consistent inter-state specialisation and co-operation in production. From the viewpoint of the new conditions for extended reproduction which have formed in the world socialist system, the criterion for rational comprehensive development of each economy should be sought not in the balanced nature of production and consumption in certain types of operation within national areas, but, rather, directly in the sphere of production and in efficient expenditure of labour.

The principle of developing production in a volume and range that would correspond to social requirements should serve as a criterion for determining ways of developing the world socialist economy as a whole. Individual socialist states look upon their national economy as a link in that world economy and take upon themselves primarily production tasks which they can resolve with the greatest economic effect. At the same time, they are co-ordinating their plans in such a way as to cover their aggregate needs in volume and range of output through their total production.

The international division of labour enables them, first, to extend the sphere of economically efficient sectors by obtaining the best conditions of the country for the production programme on which it specialises internationally; it will have a

guaranteed market in the fraternal countries for specialised output whose volume often greatly exceeds internal requirements; second, the international division of labour presupposes a reliable system of delivery of manufactured goods which are part of the programme of production specialisation in other countries; it thereby satisfies the needs for far more diverse commodities than the range of output in one particular country. Of course, economic progress in socialist states will mean an amended economic structure, particularly the creation of new sectors and types of production which are of great importance for scientific and technological progress. An increase in the international socialist division of labour does not mean that the number of sectors existing in individual states will not gradually increase. The need for international specialisation, however, will increase rather than diminish, and new branches will be created on the basis of this specialisation.

Intra-sectoral specialisation between countries will develop even faster than inter-sectoral specialisation. The trend towards a balanced distribution of production programmes between these countries will increase as the socialist states strengthen their economic consolidation. The balanced co-operation of labour in the socialist community serves as an important guarantee of success in building socialism and communism. A scientifically substantiated determination of the place and role of each country within the international socialist division of labour and of the basic profile of international specialisation of major sectors are an invariable condition for attaining a high rate of economic growth and a guarantee of a rapid economic upsurge in each socialist state.

In the process of co-ordinating plans, the CMEA countries study production conditions on a mutual basis in each member state, acquaint themselves with the planned directions of long-term development, compare the requirements for definite products and the sources of satisfying them, elaborate tasks and forms of economic co-operation and the most efficient forms of division of labour among them. That is the way the basic production profile of individual states is agreed upon within the system of international specialisation and co-operation; each country has the chance to determine the most rational proportions in its economy in the light of the utilisation of advantages in co-operating with other CMEA member countries.

The socialist community has solved the problem of foreign markets, both for traditional exports of the economically less

developed states (largely farm produce and products of the extractive industry), and for commodities produced by new sectors created during industrialisation (mainly manufacturing industries, particularly mechanical engineering). A guaranteed market for selling commodities, which over a certain period provide the industrialising states with a great amount of foreign currency, is an important advantage of the world socialist economic system.

No less important is the agreed mutual supply of various industrial commodities, including manufactured goods, among the socialist countries, undertaken on an equal and mutually beneficial basis with particular account for the fastest development of the formerly economically backward states. For countries which are building up their national industry, access to foreign markets with products from new sectors not only increases their currency receipts, but also helps to improve the production conditions in these sectors, opens the way to increasing concentration of production, accelerates technical progress and reduces cost price. At the same time, participation in the international socialist division of labour helps to create more rational proportions in the economy of each country.

With close co-operation between fraternal states, each participant creates and develops a complex of sectors which most fully corresponds to its conditions and enables it to augment productivity. Division of labour between socialist states cannot be reduced to some countries developing their natural wealth with due regard for the needs of fraternal states; it presupposes a wide utilisation by each country of the benefits of the processing of raw materials, up to and including the obtaining and manufacture of complex goods. Intensive shifts in the economic structure of socialist states, therefore, reflect the multilateral development of productive forces, a greater degree of processing of raw materials, a growing share of types of production conspicuous by its high level of technical equipment, qualified manpower and efficient labour expenditure. Bulgaria, for example, not only extracts non-ferrous metal ores and delivers concentrates of these ores in large amounts to fraternal states, it has also created its own non-ferrous metallurgy and the electrical industry whose products are also exported to other socialist states.

The results of economic development in the socialist states testify that a correct choice in structuring the national production complex and the economic efficiency of social

production in each country largely depend upon how greatly the possibilities for a rational international division of labour have been taken into consideration.

The question of an optimum economic structure in national economies is increasingly being resolved by a harmonious combination of multisectoral comprehensive economic development in each country coupled with international specialisation in production within the world socialist economic system. The highly developed socialist states do not strive to retain a monopoly of any particular branches of modern industry; they are not disposed to exploit markets in order to lord it over other states at a lower economic level.

In accordance with the requirements of states which had inherited a backward agrarian economy, the highly developed countries supply them with equipment for creating new branches and provide them with a market for their new products by co-ordinating economic plans and long-term foreign trade agreements. When Bulgaria, for example, was faced with the task of creating an advanced engineering industry that would enable her to make better use of her labour resources and raise the economic efficiency of social production, the other socialist states, including the Soviet Union, the GDR and Czechoslovakia, rendered and continue to render her help in increasing the serial production in Bulgarian engineering and guaranteeing a market for its products on a large scale. Their own production of such commodities have, in several cases, been restricted or even halted. The international specialisation of production within the framework of CMEA countries is effectively helping to increase the size of the foreign markets for the industrialising countries.

The fact that the Soviet Union supplies both equipment and raw materials is of prime importance for ensuring a comprehensive development of the manufacturing industry in the fraternal states. Insofar as most CMEA member countries have a narrow or incomplete raw material base, the USSR has undertaken the great task of supplying raw materials, which enable these countries greatly to overcome their dependence on their own raw material sources. Many iron and steel plants in CMEA countries are operating with Soviet ore; the supply of Soviet oil has enabled them to create their own petrochemical industry. The share of raw materials is particularly great in Soviet exports to fraternal states, even though this does not correspond to the structure of the Soviet economy. In recent

years, the USSR has supplied almost 100 per cent of all the socialist states' import requirements for oil, up to 90 per cent for iron ore and 80 per cent for timber.

The close co-operation of the socialist states frees them also from the need to develop a range of production that would be cumbersome for one country; it enables the rate of development of individual sectors to conform to their economic potential and, thereby, to obviate overloading of the economy. In particular, the gulf between growth rates of producer and consumer goods production has been mostly much smaller in all the post war socialist countries than it was during early Soviet industrialisation. This was due to the ability of the formerly backward states to create their own industry relying on Soviet heavy industry, plant and machinery imports from the GDR and Czechoslovakia and many types of raw materials and fuel imports from the USSR. Co-operation and mutual assistance among the socialist states enable countries at various stages of development to lay a basis for national industry and to carry on extended reproduction even with a higher growth rate for consumer goods production, because the priority development of producer goods is ensured by joint efforts of the socialist states throughout the world socialist economic system.

The CMEA countries strictly observe the interests of comprehensive economic development in each country and, in particular, of expanding modern sectors of the manufacturing industry producing means of production. They pursue a policy of rational restriction of the range of production in accordance with local conditions and possibilities, and also with the tasks of increasing the economic efficiency of production. At the same time, they ensure a continual addition to the range of products throughout the CMEA community by co-ordinating national plans; they introduce new lines of production and increasingly fully satisfy the mounting requirements of all these countries for the most diverse manufactured goods.

Within the socialist community, the economic ties between such highly industrialised countries as the USSR, the GDR and Czechoslovakia and the relatively less industrialised states serve as a crucial means of levelling up economic standards. These ties are subordinate to the objectives of creating, in the former economically backward states, their own industry and restructuring economic pattern. The social and economic essence and objective of the division of labour between socialist states differs in principle from that in the capitalist world even when

it would appear to be a division of labour between industrial states and countries with a much less developed economic structure. Thus, all the directions of the division of labour between socialist states serve their overall improvement and, above all, the acceleration of rates of development of countries that still lag economically.

A characteristic feature of the development of countries in the world socialist system is the steady levelling-up of their economic development through faster economic growth rates in the economically less developed countries and their raising to the level of the advanced states. This process is an obvious manifestation of the advantages of the socialist mode of production and, especially, the advantages of the new type of international economic relations that have formed between the socialist countries.

The gap is gradually diminishing within the world socialist system between the economically less developed and the highly industrialised states in per capita industrial output. While, in 1950, per capita gross industrial output in Bulgaria was only 40 per cent of the Soviet figure, in 1965 it had grown to 70 per cent and in 1970 was over 80 per cent. The respective indicator for Rumania rose from 30 to 50 per cent in 1965 and almost 60 per cent in 1970. The Mongolian per capita output was, in 1955, about one-tenth of that of Soviet industrial output, while in 1965 it had become one-fifth; in recent years, Mongolian industry has continued to develop much faster. There is an evident reduction in the gap in per capita industrial production between states that had inherited economic backwardness from capitalism, on the one hand, and the GDR and Czechoslovakia, on the other.

The balanced formation of economic relations throughout the CMEA community takes place with careful account of many factors. These include the size of territory and population of individual states, manpower and prospects for its growth and rising qualifications, the capacity of the domestic market, material resources and the possibilities for increasing them. Planners also take into account a country's natural resources and its geographical location. They consider the existing economic structure and production traditions. The socialist states base their economic policy on the principle that neither natural conditions nor historical traditions should completely determine economic development. Naturally, each country makes wide use of its own natural wealth and relies on the historical traditions of economic development which encour-

age its further economic growth. However, neither the limitations of a natural raw material base nor the backward traditions inherited from the capitalist past—like, for example, the agrarian character of the economy and the predominance of cottage industries—are an insurmountable obstacle, given the socialist co-operation, for rapid economic growth in each country.

During industrialisation, the socialist states did not avoid mistakes and deficiencies in economic development. Several countries, particularly during early industrialisation, took insufficient account of local conditions, did not always make allowance quickly enough in their economic plans for the latest scientific and technological information, so causing temporary imbalance between various sectors of the raw materials and manufacturing industry, between industry as a whole and the power industry. Despite the growth in agricultural output in many countries, their farming still lags behind the growing needs of the economy. These growing pains, however, are being overcome and the economy of the world socialist system is steadily growing strong.

The economic structure of the socialist states has radically altered during the building of socialism. The formerly backward and agrarian states have become industrial-agrarian or agrarian-industrial countries, have developed their economies at a fast rate and are steadily reducing the gap that separates them from the most advanced states of the world. The successful industrialisation of the socialist states has led to a change in the balance of industry and agriculture in the aggregate output of these sectors. Today, the share of industry in virtually all socialist states substantially exceeds the share of agriculture. The task of radically restructuring the economic pattern has been resolved in a relatively short time—something that is unattainable in capitalist industrialisation.

The sectoral structure of national income has also sharply changed in the socialist states. Industry has begun to play a leading role in creating national income in most countries.

New inter-sectoral proportions within the framework of industry itself have developed and these encourage a faster rate of extended reproduction. The Communist and Workers' Parties of the CMEA member countries consistently adhere to the practical advice of Lenin that "the raising of the productivity of labour first of all requires that the material basis of large-scale industry shall be assured, namely, the development of the production of fuel, iron, the engineering

and chemical industries".¹ Most socialist states today have over half their industrial output coming from production of producer goods, while in some states this share is as much as two-thirds or more. In 1970, the share of producer goods in gross industrial output was 54.7 per cent in Bulgaria, 61.6 per cent in Czechoslovakia, 70.2 per cent in the GDR, 63.9 per cent in Hungary, 52.6 per cent in Mongolia, 66.3 per cent in Poland, 70.4 per cent in Rumania and 73.4 per cent in the USSR.

No less important is the change in the internal structure of the production of producer goods in these states. Before the war, the share of this production was quite high in several economically backward states, but it consisted of only raw material industries whose unprocessed output was exported to industrial states. The producer goods sector in many states had very weak or no manufacturing industries, especially the production of implements of labour. In Bulgaria, in 1939, for example, labour implements comprised only 4 per cent of all production of means of production. Nowadays, all states have not only increased the share of producer goods, but have developed a new diversified multisectoral structure. Most of these countries created a modern engineering, chemical and power industry only during the years of socialist industrialisation. Everywhere these sectors are ensured priority development, as is required by the interests of technological progress in all branches of the economy and in the interests of the rapid growth of productive forces.

During the period necessary for ensuring socialist industrialisation and economic reconstruction in the CMEA countries, the balance between rate of growth of producer goods and of consumer goods normally showed a relatively high preponderance of the former over the latter. It was an important indicator for improving their economic structure and strengthening their material and technical base.

Expansion of the manufacture of producer goods, however, is not an end in itself. Although a fall in the proportion of consumer goods took place in total industrial output due to the priority expansion of the manufacture of producer goods, the absolute volume of production of consumer goods steadily rose and the range of articles constantly broadened. Several socialist states started to manufacture clothing and footwear on an industrial scale only during the years of socialist industrialisa-

¹ V. I. Lenin, *Collected Works*, Vol. 27, p. 257.

tion. Not so long ago most of them produced no modern durables at all.

The experience of economic development in the CMEA member countries testifies to the special need today to consider the very close interrelationship between the rate of growth of producer goods output, the economic efficiency of their use and the rate of extended reproduction. The part played by the growth in output of means of production, as an accelerator of the rate of extended reproduction, can be seriously reduced in the event of a deceleration of the growth or a fall in the efficient use of production funds. If this happens, demands made on the growth rate of producer goods increase, but the growth itself is less and less able to ensure a high rate of expansion of social production as a whole. The pivot of the problem, therefore, must be transferred from that of obtaining priority growth rates of producer goods manufacture to improving the techno-economic indicators of the means of production output and improving the utilisation of existing production assets.

Another problem has arisen: expansion of the output of consumer goods has more than ever become a condition for the adequate effectiveness of material labour stimuli, the expansion of production and increase in its effectiveness. All this has encouraged some CMEA countries gradually to bring together their growth rates of consumer and producer goods manufacture. This process has now become one of the main structural problems in the economies of these CMEA member states. Meanwhile, heavy industry, especially the output of producer goods, remains the basis for economic development.

In accordance with this new approach to the balance of growth rates of producer and consumer goods output, several CMEA countries have in recent years increased the growth rate of output of consumer goods to the level of that of producer goods, and sometimes even exceeded it. In the USSR, for example, during the 1966-1970 five-year plan, the output of producer goods increased by 51 per cent and that of consumer goods—by 49 per cent. In the 1971-1975 period, the consumer goods growth is to be 44-48 per cent and the producer goods growth is to be 41-45 per cent.

The improving structure of the socialist industrial countries also finds its expression in the creation and extension of new "upper tiers" of production, a higher degree of raw material processing, and development, through increasing use of national raw material resources and a growing exchange of raw

materials between the socialist states, of various manufacturing industries, taking raw materials through consecutive stages of processing to increasingly complex and valuable finished products which requires considerable expenditure of highly skilled labour. As a result, the sectoral structure of industry in these countries is being enriched so as to ensure its comprehensive development. The share of sectors based on raw materials of industrial production has sharply increased in the output of processing industry, while the share of sectors processing raw materials from an agricultural source has diminished. The part played by various synthetic raw materials which are themselves already a product of complex production processes is rapidly growing. These shifts in the industry of socialist states testify to the growth of their productive forces and the scientific and technological progress in their economies.

The CMEA member countries today have mature branches of industry on which depend the rates of scientific and technological progress throughout the economy: engineering, the chemical and power industries. A rapid expansion of these sectors ensures, on an increasingly wide scale, the mechanisation and automation of production and electrification and chemicalisation of the economy.

Table 2
Growth in Industrial Output and in Major Industrial Sectors in
CMEA Countries*
(1970 as a percentage of 1950)

| Country | All industry | Engineering ** | Chemical industry *** | Electric and heat power generation |
|----------------------------|--------------|----------------|-----------------------|------------------------------------|
| Bulgaria | 12 times | 36 times | 47 times | 24 times |
| Czechoslovakia | 488 | 973 | 11 " | 577 |
| German Democratic Republic | 521 | 400**** | 310**** | 277**** |
| Hungary | 515 | 799 | 20 times | 609 |
| Mongolia | 714 | 18 times | ... | 21 times |
| Poland | 758 | 26 " | 17 " | 972 |
| Rumania | 11 times | 30 " | 50 " | 23 times |
| USSR | 689 | 13 " | 12 " | 996 |

* Including state and co-operative industry.

** Including metal processing.

*** Including rubber-asbestos industry.

**** As a percentage of 1955.

The CMEA countries are consistently pursuing a policy of priority development of the engineering, chemical and power industries. (See Table 2.)

The correct determination of key sectors and lines of production and of concentration of ways and means of speeding up their development is exceedingly important in the economic policies of the CMEA member countries. They include sectors and lines of production that predetermine the rate of growth of the scientific and technological revolution and ensure the optimum structure of production in the specific conditions of each country. The successful development both of individual sectors and of the entire economy greatly depends on improved proportions between sectors and the creation of new progressive lines of production. The aim is to take better account of the specific needs of each country and the possibilities of co-operation with other socialist states.

Thanks to close co-operation, the CMEA countries are successfully negotiating a number of difficult problems connected with their needs for electricity, coking coal and iron ore, non-ferrous metals and various types of plant and equipment. For example, the combined efforts to resolve the fuel problem has taken some pressure off the fuel balances within these states. Co-operation in geological prospecting has greatly helped to augment supplies of coal, oil and gas. Thus, combined Soviet and German geological prospecting has resulted in the discovery of oil and gas deposits in the northern and central areas of the GDR, which had only recently been considered unpromising for oil and gas. Geologists in Hungary have helped to increase supplies of natural gas by as much as 20 times. Rich deposits of coal, natural gas and oil have been discovered in Poland.

Among the particularly acute economic problems facing the European CMEA member countries at the end of the 1950s was a shortage of coking coal, which became a serious curb on iron and steel development. On the recommendations of the 9th CMEA Session in 1958, several member countries took measures to step up the rate of extraction of coking coal and to produce metallurgical coke, and also to ensure wider use of lower-grade coals for charging. The USSR, for example, expanded the capacity of its coal and coke industry; Poland stepped up its exploitation of coking-coal deposits in the Rybnik coal region; Czechoslovakia expanded production capacity in the Ostrava-Karvina basin. The exchange of coke among CMEA member states between 1955 and 1965 more

than doubled. Furthermore, the coal exchange for the period 1960-1967 increased from 18 million to 35 million metric tons, i. e., a virtual doubling. Requirements for coal and coke were largely satisfied in a relatively short period.

The question of ensuring progressive shifts in the fuel and power balances of CMEA countries is also being gradually tackled.

The less economically developed states within the world capitalist economic system are usually forced to confine themselves to extraction and primary processing of raw materials that go for further use to the highly industrialised imperialist states. By contrast, the extractive sectors in all socialist states serve as a base for promoting the national processing industry which is typified by a full and comprehensive utilisation and high degree of processing of raw materials. In Bulgaria, for example, the extraction of ore of non-ferrous metals has served as a basis for developing non-ferrous and electrical industries. Hungary, which has rich stocks of bauxite, was only able to set up advanced aluminium industry and production of finished articles out of aluminium during the years of popular government. The petrochemical industry in Rumania, which was completely lacking under the bourgeois-landlord regime, is now developing in leaps and bounds. This increased level of processing is expressed in the mounting value of finished products obtained from each unit of raw material used. In Rumania, for example, the quality of oil products improves with every year in the oil-refining industry; the country is now producing particularly valuable oil products which are being used for further processing in the petrochemical industry.

The higher industrial level of the socialist states is apparent not only in an increasingly full and rational employment of national raw material resources, but also in the creation of several sectors which are processing largely imported raw materials. These states which, in the past, often had no opportunity of organising the extraction and processing of even their local raw material, have now become large importers of raw material due to socialist industrialisation; they do not confine themselves to the processing of their own raw materials. The imports of raw materials, particularly Soviet ferrous and non-ferrous metals, iron ore, oil and other types of raw materials, enable these countries to develop a wider range of processing sectors at a faster rate than their national raw material base would warrant. The iron and steel, petrochemi-

cal and several other industries are based largely on imported raw materials.

Soviet oil-extracting industry, for example, became a reliable raw material base for the oil-refining and petrochemical industries of Bulgaria, Czechoslovakia, the GDR, Hungary and Poland. The refining of oil and the petrochemical industry in these countries began to develop only with the commencement of large-scale oil deliveries from the Soviet Union, especially through the Friendship pipeline. Thanks to that, they were able to expand their production of polymers and nitrogen fertiliser. The expansion of pipelines for transporting oil, oil products and gas is of particular importance to the CMEA countries' economies. Due to the close co-operation of CMEA countries, a trans-European Friendship pipeline, consisting of a single piping system, was constructed in a relatively short time and on a high technical level. The amount of oil transported through the pipeline grew from 13 million metric tons in 1965 to 18 million in 1967 and more than 22 million in 1968. A second stage of the Friendship pipeline is being built and the amount of oil transported through it will be 50 million metric tons in 1975.

In 1966, a gas pipeline was laid from the USSR to Poland; it was extended to Czechoslovakia in 1967. A giant gas pipeline connecting Soviet Siberia with Bulgaria went into operation in late 1973. Thanks to deliveries of Soviet gas, the Bulgarian economy is now able to rely on a powerful gas-based energy source and has substantially improved its fuel balance.

Another important feature of economic development in the CMEA countries is the consolidation of their electrical power base, accelerated technological progress in this area and extended international socialist division of labour in the power industry. The installed rating of power stations in the CMEA member countries grew from 31.6 million kilowatts in 1950 to 217.8 million kilowatts in 1970. The overriding tendency in economic development has become the priority growth of electricity and heat generation by comparison with the growth of all industrial production, thereby insuring greater electrical equipment per worker, which is a necessary condition for higher labour productivity, and providing bigger supplies of electricity to other branches of the economy.

Mounting attention is being paid to the construction of atomic power stations in the CMEA member countries, along with the further extensive use of thermal power plants, which accounted for between 85 per cent (in the USSR) and 99.1 per

cent (in Hungary), in 1967, of all electricity generated, and along with the development of hydroelectric power stations (for example, on the basis of the hydropower resources of the Danube and its tributaries). The use of atomic energy for developing electricity is largely being based on the Soviet Union's experience, scientific and technical and production potential. Atomic power stations will be built in the 1970s in the USSR with a total capacity of 30 million kilowatts. In the period 1971-1975, these stations will account for 12 per cent of the increment in Soviet electricity generation.

In accordance with the agreement signed in 1956, the USSR had helped the GDR to build an atomic power station commissioned in 1966; it soon reached its rated capacity of 70,000 kilowatts. A second agreement was signed in 1965 on co-operation in building several atomic power stations in the GDR before 1980 with a total capacity of 2 million kilowatts. The GDR is now building the atomic power station Nord-1 with a capacity of 880,000 kilowatts. It is envisaged further to increase the capacity of this power plant and to build new atomic power stations with Soviet collaboration.

Following the construction of the first atomic power station with a rating of 150,000 kilowatts, Czechoslovakia intends to continue to promote atomic power engineering. In 1970, it signed an agreement with the USSR on joint construction of two atomic power stations with a total capacity of 1,700,000 kilowatts. The USSR has also signed agreements with a number of other socialist countries on the construction of large-capacity atomic power plants. The Central Committee of the Bulgarian Communist Party, for example, announced plans at its plenary meeting in 1969 to develop its power industry for the period 1971-1980. In particular, it stated its intention of creating atomic power stations with a capacity of 1.8 million kilowatts between 1971 and 1980. The generation of electricity from these stations will, in 1980, amount to 14,000 million kilowatt/hours or one-quarter of the country's entire electricity production.

It is likely that there will be a considerable extension of these programmes and a further, more rapid increase in the role of atomic power stations in augmenting electricity production. The enhancement of this role will become an increasingly important economic need due to the growing requirements of the CMEA member countries for electricity, the shortage of fuel and the falling costs of electricity generated at atomic power stations, which makes them increasingly competitive by

contrast with thermal power plants using organic fuel. To supply the atomic power industry with equipment and specialists, the CMEA countries are implementing international specialisation and co-operation in nuclear instrument making, the production of protective technology and are also co-operating in the training of the necessary personnel.

Mechanical engineering is today the leading branch of industry in the CMEA countries. It is the base of comprehensive mechanisation and automation of production processes in all sectors. It ensures technological progress throughout the economy, creates prerequisites for the growth in technological equipment and, thereby, for increasing labour productivity. The formerly backward countries have created their own machine-tool industry and production of equipment for mining, iron and steel, the chemical industry, the auto industry, shipbuilding, tractor and farm machinery production. They are now creating and developing such sophisticated spheres as electronics at an accelerated pace. Together with the rapid growth in output of engineering products, their range is improving with every year. The nature of the shifts in the range of engineering production testifies to the continual qualitative changes in that area, its higher technological level and the wide use of latest scientific achievements.

Many socialist states have reached the level of the most advanced industrial capitalist states or are approaching that level in their share of engineering in gross industrial output. The proportion of engineering products in the aggregate industrial gross output of CMEA member countries has already exceeded 30 per cent. Thanks to that, the socialist states are widely introducing into production sophisticated techniques and technology, and manual labour is being replaced by machines. A transition to comprehensive mechanisation and automation is gradually being made in various sectors. Mechanical power per worker is growing on the basis of a faster increase in the amount of basic production funds, as compared with the growth in the number of workers in production.

Progress in mechanical engineering has led to important changes in the commodity structure of trade between CMEA member states. Deliveries of plant and machinery in their mutual trade have grown much faster than the entire trade turnover between these countries. Between 1961 and 1970, the amount of trade between CMEA countries grew 2.3 times overall, while their mutual deliveries of plant and equipment

increased much faster. In 1970 more than two-fifths of their mutual trade turnover was accounted for by this group of commodities.

The formerly backward countries had had virtually no home-based production of plant and machinery at the time popular regimes took power. Now they have created their own modern engineering industry and even become exporters of many types of engineering products. Bulgaria, for instance, which had virtually no home-based engineering at the start of socialist construction has now increased her share of plant and machinery in exports to 29.1 per cent in 1970. Poland has increased her share in exports from 0.6 per cent in 1948 to 38.5 per cent in 1970. In Rumania, the share of engineering products amounted to 1 per cent in 1948 and 22.6 per cent in 1970.

Before the victory of popular regimes, virtually no socialist state had a developed chemical industry. Simple goods for household use, such as soap powders, held a central part in their chemical industry, as did their production of wood chemicals and explosives. Branches of the basic chemical industry, however, had not been significantly developed, nor had their raw material base, and many primary materials were imported. The share of the chemical industry in gross industrial output comprised 1.9 per cent in Bulgaria in 1939, 2.7 per cent in Rumania in 1938. Although on the territory of the GDR there was advanced chemical industry before the war, and its share in gross industrial output was 10.6 per cent in 1937, the re-establishment and further development of the GDR's chemical industry, however, required primarily a sharp increase in the production of sulphuric acid, soda and other substances.

The socialist states did well in the first post-war decade to expand the output of the main types of basic chemical products. On that basis began a rapid development of many branches of organic synthesis, the production of plastics, synthetic rubber, artificial and synthetic fibres. Today they are expanding the production of mineral fertilisers.

The chemical industry is today of immense importance for balanced economic development and for raising the economic efficiency of social production. This sector in the CMEA countries has become an important lever of extended reproduction, for satisfying the increasingly diverse requirements of society, and in economising on social labour. A stable balance of growth has been achieved between the chemical industry

and the whole of industry, by which the priority development of the chemical industry is assured. While in 1950, the share of CMEA countries in the world production of chemicals was 10.8 per cent, it had grown over 27 per cent in 1972. In recent years, they have paid particular attention to increasing the growth rate of the chemical industry, organic synthesis in particular; in its share in industrial output most socialist states still substantially lag behind the highly industrialised capitalist countries.

The creation and consolidation of the material and technological basis of socialism imply not only a priority development of socialist industry as the leading branch of the economy, but also a great increase in the productive forces of socialist agriculture. The social and material prerequisites for this are created through the organisation of peasants into producer co-operatives and the all-round support of the socialist state to the working peasantry. Industrial progress increasingly provides the countryside with tractors, farm machinery and mineral fertiliser; economic co-operation and mutual assistance of socialist states reinforce the technological basis of agriculture. These serve as important levers in speeding up farm output.

A characteristic feature of farm development in these countries over the years of socialist construction is the boost in output with less manpower due to mechanisation of farm work, application of chemical fertilisers on a growing scale, better standards of farming and more efficient labour organisation. The organisation of the peasantry into producer co-operatives has normally been accompanied by an increase in gross and marketable agricultural production. A study of farming development over a long period has made it possible to discern a trend towards alleviation of shortfalls in years of bad harvest and of damage caused by drought. The measures taken in the socialist countries to strengthen the material and technological basis of farming and the introduction of the latest scientific achievements will enable them steadily to reduce to a minimum the dependence of farming on the elements.

Improvements in technological equipment play an exceptionally important role in better farming methods. Before popular government, the poor peasant farms virtually had no mechanised equipment and the level of farm technique was everywhere (with the exception of the GDR) very low. The improvement in farm techniques during the years of socialist construction has meant a real revolution in farming and has considerably lightened the peasants' labour and raised their

productivity. Soviet deliveries of tractors and other farm machinery have played a very important part in the mechanisation of agriculture in other socialist states, alongside the creation of their own tractor and farm machinery production.

A very important direction in mechanising agriculture is the increase in its power capacity on the basis of motorisation. The provision of electricity is increasing in agriculture, but the relative share of electrical motors in the overall capacity of farming power sources still sometimes diminishes; that is due, in particular, to the fact that the degree of mechanisation of field work increases faster than that on the farms. The use of draught animals is now restricted.

In addition to the greater use of motor traction, farming is being equipped with modern machinery. Besides machines for grain harvesting, farms are receiving machinery for other cultivated crops on an increasing scale. The use of complex harvesting machinery is spreading: combine harvesters for corn, sugar beet and potatoes. Most of the socialist states are achieving a high level of mechanisation of the major farm work. A further increase in technological equipment in farming is aimed, first, at completing the mechanisation of basic field jobs and ensuring transition to comprehensive mechanisation for all work in field-crop cultivation, including the spreading of fertiliser and various unloading and loading jobs; second, the steady mechanisation of work in livestock rearing, horticulture and other branches of farming.

An important factor in intensified farming is the increased use of mineral fertiliser, pesticides and fungicides, and other biological preparations. Before socialist construction began, mineral fertiliser was only used to any large extent on the territory of the GDR; in the other socialist states mineral fertiliser production only began during socialist industrialisation. In most of these states, however, the level of supply of mineral fertiliser, as with other chemical and micro-biological farming appliances, is still much lower than in countries with more intensive farm production. The socialist states, therefore, are taking steps to accelerate the development of the chemical and the micro-biological industry and to increase the supply of its products for agriculture.

Better soil preparation on the basis of mechanisation, wider use of mineral and organic fertiliser, improved crop rotation and other agrotechnical measures are having a good effect on yields. Comparison of relatively long periods (which makes it possible to reveal stable tendencies in agricultural develop-

ment) shows that the socialist states have had a marked improvement in yields, especially in grain. The increased grain yields went some way to compensate for the reduction in cultivated land which occurred in many countries after the war. The average annual grain and leguminous plant harvests between 1966 and 1970 were 26 per cent greater in the CMEA countries than in the period 1961-1965. However, the task is still to enhance the role of grain farming as the basis for developing livestock breeding.

Livestock farming is an important branch of agriculture. Despite the cattle reduction, which occurs in different countries during bad harvests, there has generally been a steady growth. Throughout the 1960s, the number of long-horn cattle grew by 25 per cent in the CMEA member countries. Alongside the increase in livestock in all countries, much attention is being paid to improving the pedigree of herds and improving their productivity. The growing consumer requirements are making greater demands on livestock products both in aggregate and especially in range.

The socialist transformation of the countryside has created conditions conducive both to higher productivity of farm labour and to a higher degree of its actual participation in production. Many countries had an agrarian overpopulation before the establishment of popular power. The tiny plots of land on which the small and medium peasants toiled did not allow them fully to utilise their own efforts. The co-operative system has enabled the socialist states to involve all the able-bodied population of the countryside in a more productive social labour process, considerably extend the area of work for each person and, at the same time, substantially lighten the burden of labour. Rapid industrialisation has enabled them to use in non-agricultural sectors a large part of the labour force earlier tied to the land.

The strengthening of co-operative farming is also leading to a further increase in the degree of use of manpower by a gradual overcoming of the marked seasonal nature of farm labour. Livestock farming is developing as a branch of agriculture in which people are engaged equally the whole year round. The structure of sowing is becoming increasingly extensive and early and late crops are being combined. Fruit and vegetable growing is increasing, in particular by means of hot-house farming. Finally, enterprises are being set up in the countryside to process farm produce and to manufacture building materials.

As the material and technological base of socialism is strengthened, agriculture will increasingly approach the level of industry. These two vital branches of the economy will be more or less the same in technological equipment, skilled manpower and the degree of social division of labour. The essential differences between farm and industrial labour will disappear. This will thereby ensure a more balanced and harmonious development of the whole economy and a correspondence of the development levels of its vital branches to social requirements. At the same time, this will encourage the gradual elimination of basic social and economic differences between town and country and a further approximation between the working class and the peasantry.

Socialist production is progressing in the interests of all the working people. The policy over national income use in the socialist states is aimed at combining steady production growth with a systematic increase, on that basis, of living standards. In spite of difficulties in solving the problem of accumulation in countries overcoming their economic backwardness, the absolute size of the consumption fund is increasing during industrialisation.

In recent years, the close connection between greater production and higher living standards has been increasingly manifest, a feature characteristic of socialist society. Between 1966 and 1970, the aggregate consumption fund for all CMEA countries increased by approximately two-fifths, while in 1961-1965 it grew only by a quarter. The increase in the share of accumulation in national income, which has occurred in some countries during the current five-year period, does not hamper the accelerated growth of the consumption fund as it did in the previous five-year period because of the increased rate of growth of the entire national income. The real income of the population is increasing, wide-scale housing construction is in progress and more consumer goods are coming on to the market.

The socialist states firmly hold advanced positions throughout the world in such indicators of well-being as social insurance, health, education, the scale of housing construction, the supply of several commodities per head of population—even by comparison with the highly industrialised capitalist states. This applies above all to such vital social statistics as numbers of people studying (including in higher education) per 100 inhabitants, the number of doctors and hospital beds per 1,000 inhabitants and the social insurance

system. In a historically brief span of time, the socialist states have joined the leading groups of countries with the lowest overall and infantile mortality rate and the highest life expectancy.

The experience of developing various economic sectors within the world socialist system testifies, with increasing clarity, to the advantages of the new social system.

THE PRESENT STAGE OF ECONOMIC DEVELOPMENT IN THE CMEA COUNTRIES IN THE LIGHT OF LENIN'S IDEAS ON RAISING THE EFFICIENCY OF THE SOCIALIST ECONOMY

In developing his theory of building a new, socialist society, guiding the implementation of the programme he initiated for building socialism and analysing the initial experience of that construction, Lenin attributed much significance to a consistent campaign for realising the advantages of the socialist mode of production.

Lenin's plan for building socialism was to have a comprehensive and rapid increase in the efficiency of social labour in the interests of the working people. He saw in this the historic task of the new social system. After the proletariat had won power and as it socialised the principal means of production, Lenin noted that "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".¹

The treasure-house of Lenin's ideas on gradually creating a highly efficient socialist economy is very rich: from the fundamental idea that only advanced industrial production in all economic sectors based on the latest scientific achievements can be the material basis for socialism to his pronouncements on the role of the socialist press as a means of acquainting people with ways to introduce a new labour organisation. Emphasising the prerequisites for socialist and communist principles to triumph, Lenin wrote: "In the last analysis, productivity of labour is the most important, the principal

¹ V. I. Lenin, *Collected Works*, Vol. 27, p. 257.

thing for the victory of the new social system."¹ He often underlined the need not only to increase the efficiency of live labour but also to make an all-round economy of materialised labour and employ all the means of production better. He therefore set the task of comprehensively increasing the efficiency of the socialist economy.

Still today, Lenin's ideas are a reliable guide to all Marxist-Leninist parties leading their people towards socialism and communism. In conformity with Lenin's ideas, the CMEA member countries examine the task of improving the socialist economy and increasing its efficiency as a basic link in the chain of tasks for developing the new society and as a decisive strategic direction of economic development. This task is a focal point of the Communist and Workers' Parties in CMEA countries; the ways it is implemented are regularly examined at congresses of these Parties and plenary meetings of their Central Committees which analyse a wide range of issues concerning economic progress and the existing facilities and reserves in enhancing socialist economic efficiency. The CPSU Central Committee report to the 24th Party Congress stated that "...we must rely mainly on enhancing the effectiveness of production. In simpler terms, the crux of the problem is to achieve a substantial increase of output and of the national income per unit of labour and material and financial inputs".²

At the present stage of building the material and technological basis of communism, the CMEA member countries are tackling the important economic problems of further developing their economic potential, improving the structure of production and increasing its efficiency.

The CMEA countries have begun to tackle a whole set of complex issues concerned with increasing the effectiveness of production and intensifying it. The very emergence of these issues is testimony to the maturity of socialist production and reflects the requirements of a new and higher stage of economic development. In accordance with these requirements, the Communist and Workers' Parties are working out and implementing a more vigorous, flexible and effective economic policy, switching attention in economic and political work to economic improvements and the creation of more suitable conditions for substantially improving the efficiency of

¹ V. I. Lenin, *Collected Works*, Vol. 29, p. 427.

² 24th Congress of the CPSU, p. 67.

social labour expenditure and more fully realising the aims of socialist production.

The 24th Congress of the CPSU, the congresses and plenary meetings of the Central Committees of Communist and Workers' Parties in the CMEA countries that were held in-between 1970 and 1971 all stressed that firm foundations were laid in the past five-year period for further improving the socialist economy; they examined urgent theoretical and practical issues involved in social and economic affairs, worked out specific paths for a new economic advance. As the 24th Congress directives stressed, the basic policy of economic development in the country both for the immediate future and for the long term is to ensure a comprehensive intensification of production and an increase in its efficiency. The Communist and Workers' Parties of other CMEA member countries outlined similar tasks. At the 10th Congress of the Hungarian Socialist Workers' Party in November 1970, it was noted that "the primary, basic and urgent requirement for all sectors in the economic plans is to take an intensive approach and to increase the efficiency of industrial production". These tasks today lie behind economic strategy in other CMEA countries.

Economic successes attained by the CMEA member countries in the past five-year period were mentioned at the recent Party congresses in these countries. It was emphasised that the main result of economic development in the last five years has been the further substantial strengthening of economic potential, the improvement of production structure and the rise in living standards. This period was particularly important because the CMEA countries vigorously elaborated and tested ways of further rationalising economic processes to conform to present and future possibilities and requirements.

The essence of the changes reflecting economic improvements in these states between 1966 and 1970 consists in the following:

- (a) the search for new methods of socialist economic management which would enable the economies to make considerable progress in creating a more effective system of economic management;
- (b) greater reliance and employment of world scientific and technological achievements in accelerating the development of domestic science and technology for the purposes of actively participating in mapping new paths of the world scientific and technological revolution;

(c) the increased rate of restructuring the economic pattern and replenishing the range of goods in accordance with the demands of scientific progress and tasks of more fully satisfying society's needs.

The past five-year period has seen positive trends in the economic efficiency of production. All the CMEA states have had considerably higher labour productivity both in industry and in the economy as a whole. In most countries, the rate of productivity growth has markedly increased by comparison with the 1961-1965 period. In the USSR, for example, labour productivity throughout the economy increased by 29 per cent in the seventh five-year period (1961-1965) and by 37 per cent in the eighth five-year period (1966-1970). Higher productivity has also been achieved in Bulgaria, Czechoslovakia, the GDR, Hungary and Mongolia. Soviet industrial productivity increased by 32 per cent between 1966 and 1970 by contrast to 25 per cent in the 1961-1965 period; the growth of industrial productivity in other CMEA countries was 29.5 and 26 per cent respectively (without the USSR).

Of no little importance has been improvement in certain other indicators of economic efficiency, above all in the use of basic production assets: in most of the CMEA states, the output-asset ratio has either increased or has stabilised.

The positive economic shifts that took place during the 1966-1970 period enabled the CMEA states successfully to meet the targets of their economic plans on all major issues and to ensure a stable rate of economic growth or even to accelerate it by comparison with the 1961-1965 period. All the countries maintained a comparatively high average annual increment in industrial growth of 8.3 per cent, which was also typical for the previous five-year period. In 1970, CMEA industrial output exceeded the 1965 level by 49 per cent (the planned targets had been to increase production by between 46 and 48 per cent). Events have shown once again that socialism is in the lead in the economic competition between the two world systems. Moreover, socialism's superiority over capitalism in rate of industrial growth in the latter part of the 1960s even increased, while the crisis phenomena at the beginning of the 1970s in the USA and other capitalist states have underlined even more the stability of socialist economic growth.

The more successful development of agriculture has had great significance for an improved economic balance. In 1970, the gross agricultural output of the CMEA member countries exceeded the 1965 level by 20 per cent (the increase was 11 per

cent in 1965 over 1960). Agriculture, however, is still subject to the adverse effects of the weather and, in certain years, farm output decreased in some countries as, for example, in Poland in 1969 and 1970; while in the CMEA countries as a whole, the average annual farm output in the 1966-1970 period considerably exceeded the 1961-1965 level. It has to be admitted, however, that the improved rate of growth of agricultural production was insufficient to fulfil planned targets in some countries by comparison with the previous five-year period.

In the current five-year period, the rate of growth of national income rose appreciably. Its size for CMEA countries as a whole increased by 42.5 per cent (while the planned target was between 37 and 38 per cent) as against 34 per cent in the previous five-year period.¹

In individual states, national income increased as follows: in Bulgaria, Czechoslovakia, the GDR, Hungary, Mongolia and the USSR, national income increased faster in the 1966-1970 period than it did in the previous five years, while in Poland virtually the same increase was achieved and in Rumania the national income growth was slightly lower.

Thanks to the increased rate of growth of national income, the CMEA member countries for the first time since 1956 managed considerably to increase the amount of absolute growth of national income.

The economic development achieved during the past five-year period enabled the CMEA countries considerably to raise living standards. Real wages grew and payments from social consumption funds increased. Retail trade grew by 46 per cent in the period 1966-1970 (as against 32 per cent in 1961-1965). In a number of indicators for living standards the targets were overfulfilled.

In describing the dynamics of social production in the CMEA countries in the 1966-1970 period, one should note the fact that a large amount of work during the period, in improving the structure and efficiency of production, was

¹ It should be noted that the source of accelerated national income growth rate, at a time when the rate of increase in gross industrial output in all CMEA member countries taken together remained virtually the same, was, on the one hand, an increased growth rate in agriculture and several other sectors, and, on the other, a greater efficiency of economic management; this was expressed, in particular, in an increased share of net output in the gross industrial output of several countries. Between 1966 and 1970, in Hungary, for example, net industrial output grew 1.2 times faster than did gross industrial output.

associated with a far-reaching restructuring of the economic mechanism, a certain departure from inter-sectoral and intra-sectoral proportions and a review of the range of commodities produced, so as to take into account society's actual requirements. The positive results of this work, associated with certain difficulties, were not always apparent within the framework of the previous five-year period. The final years of the plan, however, testified to the fact that the trends conducive to economic growth are becoming increasingly widespread.

It is also of exceptional importance that the CMEA member states, which in some years of the previous plan met with a number of economic and political difficulties, were able to cope successfully with their most acute manifestations and conduct work in overcoming their consequences. That applies, above all, to Czechoslovakia. It has managed to overcome the consequences of the 1968 political crisis and to attain political and economic consolidation. Consolidation in the economy has meant the re-establishment and considerable strengthening of the state-planned management and of basic proportions in the economy. The setting in order of capital construction, of foreign trade and of the consumer market were the main elements in the endeavour to consolidate the economy.

In recent years, Poland, too, has successfully overcome certain disproportions which reached a head in 1970 (primarily those between the growth rates of production and consumption).

In mobilising their economic reserves, the CMEA countries have ensured during the past five-year period a rapid growth in scale of production and have created the conditions for a further economic upsurge.

Recent Party congresses have put forward new five-year comprehensive programmes for social and economic development. Fulfilment of these programmes will mean a great step forward in building the material and technological basis for socialism and communism and in satisfying the growing requirements of individuals and society.

These new plans bear witness to the profound consistency of economic policy in the countries which are invariably guided by high and stable growth rates for production and consumption. They envisage, as a rule, the retention of a relatively high economic growth rate. Industrial output in the CMEA member countries is to grow by 50 per cent over the 1971-1975 period, while real incomes of the population are to increase approxi-

mately by a third. Improvements in public welfare are to be even greater than previously. Thus, the main task of the Soviet 1971-1975 five-year plan, as is stressed in the directives of the 24th CPSU Congress, is to ensure a considerable growth in the material and cultural living standards of the Soviet people on the basis of a high rate of growth in socialist production, in its efficiency, in scientific progress and in labour productivity.

Table 3

Basic Indicators of Economic Growth in
CMEA Countries in 1971-1975
(as a percentage of 1970)

| Country | National income | Gross industrial output | Gross agricultural output * |
|----------------|-----------------|-------------------------|-----------------------------|
| Bulgaria | 145-150 | 155-160 | 117-120 |
| Czechoslovakia | 128 | 134-136 | 114 |
| GDR | 127 | 134** | 112.5 |
| Hungary | 130-132 | 132-134 | 115-116 |
| Mongolia | 130 | 156 | 122 |
| Poland | 138-139 | 148-150 | 118-121 |
| Rumania *** | 168-182 | 168-178 | 136-149 |
| USSR | 139 | 147 | 120-122 |

* Average annual volume for 1971-1975 as a percentage of the 1966-1970 figure excluding Mongolia and Poland for which figures are given for output growth in 1975 over 1970.

** Commodity production.

*** The National Conference of the Rumanian Communist Party (July 1972) decided to aim to overfulfil the plan.

A distinctive feature of the planned directives for 1971-1975 and the economic and political tasks advanced by congresses for that period is the growing attention to qualitative indicators of social production and to social development, in particular to public welfare. The rate of economic growth of the CMEA countries in the previous and the present five-year period takes into account the need more fully to guarantee economic balance and to ensure that proportions are made properly throughout the economy. The features of planned economic development for the current five-year period testify to the consistent policy of removing pressure in the economy, strengthening rational proportions and creating conditions conducive to an increasingly full utilisation of opportunities for greater efficiency, that emanate from the latest achievements

of science and technology and improved ways and means of economic management.

Thus, the CMEA countries are today comprehensively strengthening the socialist economy; the process of improving socialist relations of production continues. They are ensuring the systematic extension of production and their economies have attained, as a rule, a more balanced nature, an even development of industry and agriculture, of the processing industry and of fuel and raw material sectors; they have accelerated the output of consumer goods. Higher productivity in all spheres is a stable trend in socialist economic development. The countries have achieved important successes in a further improved use of materialised labour and are consistently and effectively pursuing a policy of increasing the effective use of production assets and capital investment.

The present stage of social development in the CMEA countries sees the implementation of important measures for the more consistent use of the advantages of the socialist mode of production. Thanks to the achievements of the previous stages of socialist construction and the strengthening socialist economic system and powerful production apparatus, it has become possible to resolve new and more complex tasks in intensifying social production, radically to improve socialist management methods and carry out scientific and technological revolution. This has meant that the CMEA states have begun to create social and material conditions for a substantial improvement in the economic efficiency of production and an accelerated growth of public welfare.

The existence of the socialist community and the close collaboration of its members create favourable conditions for using the most effective methods of economic development and for gaining the greatest growth in output with a given expenditure of equipment and labour. When the USSR had to exist in a capitalist encirclement, it had to use all means to create, in a short time, all sectors of industry and to ensure its defence capability and economic and technical independence of the hostile capitalist world. That task was solved by the heroic labour of the Soviet people. Its accomplishment was helped by the fact that the USSR has a large territory and population and vast natural resources. Nonetheless, it required the selfless efforts and sacrifices from the Soviet people. A smaller or more backward country would have had to suffer even greater stress and, perhaps, it could not have achieved its goal.

By virtue of the existence of the world socialist system, the possibilities for economic growth in each socialist state are much greater both because each country can rely on the selfless support of fraternal states and because it has the chance, through this co-operation, to select the most effective ways for economic growth. Many economic tasks can now be tackled in a different way, with account for the resources and potential of the entire socialist community. That, of course, does not imply that the socialist states can slacken the pace in using all their internal resources. Fraternal assistance cannot replace the efforts of each country, although it may ease the problem of economic growth. Co-operation with other socialist states enables each country much more fully and sensibly to utilise its internal resources and to attain the greatest economic effect. It is aided both by the direct fraternal assistance through equipment and credit, and through the international division of labour and other forms of co-operation within the socialist community. Nowadays, the part played by the economic co-operation of the CMEA countries in their economic growth is increasing sharply, due to the socialist economic integration programme.

At the current stage of economic development, the CMEA states are more and more demonstrating the advantages of the socialist social system with its unity of interests between society and the individual, the planned nature of production and high effectiveness of material and moral stimuli for labour, and the direct link between economic growth and that of public welfare. At the same time, the superiority of the world socialist economic system over the capitalist system is becoming increasingly obvious.

The CMEA member countries have set themselves new economic tasks, whose resolution will ensure a substantial increase in the provision of all elements of production and will more fully employ all resources of society. This involves essentially a more complete and consistent application of socialist economic laws at all stages of extended reproduction. This has become necessary as well as possible. The fact is that in the early part of the 1960s, it became necessary to take steps to change the balance between extensive and intensive sources of production growth in order to avoid a lower rate of economic development. It was essential to overcome the tendency to a slower growth rate or a fall in the return on expenditure of materialised labour, especially of capital investment, to bring planning and economic management into

line with the new conditions, and to increase the effectiveness of material stimulation. The time had arrived for a certain regrouping of resources in economic development and for a new approach to certain specific economic tasks and the means of achieving them, with account for the demands of present-day scientific progress, the mounting possibilities of socialist society and the changed conditions of extended production.

Intensification of social production, which is intended to raise the efficient use of all social resources to a qualitatively new level, is increasingly becoming the decisive direction of economic development in the CMEA states. Growth in economic efficiency in using all factors of production must therefore play an increasing role in expanding output, while the part played by increased expenditure of live and materialised labour must diminish. More effective use of social labour in the intensification of production must, therefore, outstrip the greater total expenditure of labour, both live and past. We have to take into consideration not simply expenditure on means of production, but also expenditure on research and development in creating new technology, and expenditure on training new personnel. Naturally, the CMEA member countries are doing all they can to increase labour productivity of manpower already involved in the production, to improve the use of existing production assets and to put aside more funds than ever not for building new enterprises but on modernising existing ones.

Today, the part played by extensive factors of extended production in the CMEA countries, i. e., the role of quantitative growth in material elements of the production process, substantially changed by comparison with the earlier stages of economic development. Over a long period, these factors have greatly helped to boost production. Their use has led to the elimination of many social and economic problems and disproportions, and has served to increase the scale of consumption. They have accelerated the rise in economic efficiency. During the 1960s, however, the increased rate of growth of live and materialised labour used in production only partly compensated for the unfavourable shifts in the dynamics of efficiency. It made it more difficult to resolve certain problems of social development.

That, of course, does not imply that extensive sources of extended production are already exhausted or that their use will be restricted in future. The number of employed will continue to grow; the increase will be made possible thanks to

the natural growth in the able-bodied population and the increasing exhaustion of manpower reserves among housewives. Production assets will also expand at the expense of that part of national income which comprises the accumulation fund.

It is important, however, to avoid increasing expenditure of social labour to a degree that cannot be recognised as fully rational, since such increase, while multiplying the possibilities of future economic growth in some directions, restricts them in others. Thus, an increase in the share of production accumulation inhibits the use of material stimulation of manpower because of the falling share of the consumption fund and the non-production accumulation fund; an increase in the labour force by means of the wide-scale employment of housewives in production somewhat weakens efforts for mobilising reserves in increasing productivity of people already engaged in the economy.

The first reason, therefore, that called for the need to enhance the role of intensive methods of increasing production at the present stage of economic development in the CMEA member countries, consists in the tendency that appeared in the first part of the 1960s, to reduce the role played by elements of intensive development due to unfavourable changes in the efficiency of production and the growing role of elements of extensive development in extended reproduction; that made it more difficult to maintain a high level of growth of national income and of living standards.

Many CMEA countries during the 1960s had an increased growth of employment in material production, while the rate of increase of productivity grew on a relatively small scale. Simultaneously, another tendency appeared: a process of expanding the total social fund of working time was objectively confined to a narrower framework, due to measures taken or intended to be taken in several countries for reducing the working week; it is becoming difficult further to increase the employment of women. A reduction in the efficiency of employing resources accumulated made it necessary to increase the rate of growth of the accumulation fund in order to maintain a high growth rate of production; that, however, clashed with the tasks of increasing living standards. Therefore, the manifest tendency towards a certain enhanced role of elements of extensive development did not stem from any extension in possibilities for using these elements, but was

caused simply by a relatively restricted use of elements of intensive development.

The second reason is that real possibilities appeared for accelerating the growth in economic efficiency and, on that basis, enhancing the part played by elements of intensive development in extended reproduction of the social product. These possibilities arose as a result of scientific and technological revolution, the work undertaken in CMEA countries to reinforce the scientific principles of economic planning, the ability to use cost factors for influencing production and the enhancing of moral and material interest in the results of production, and also as a consequence of the growing economic consolidation of those countries. The conditions for further intensification of extended reproduction are thereby being greatly increased. The creation of opportunities for improving social production means, at the same time, the emergence of a social requirement for them to be realised. A further increase in production efficiency has today become also an invariable condition for resolving a whole number of social and political tasks and for raising the standard of living. It is also a necessary requisite for further strengthening the positions of socialism in the competition between the two systems. It is an important aim of economic planning and management in the CMEA member countries fully to utilise the existing and future opportunities.

The CMEA countries are intensifying economic growth, first, by accelerating scientific and technological progress, transforming techniques, technology and production organisation with due regard for the possibilities of increased efficiency of expenditure of live and materialised labour, which are being created through the latest scientific achievements. That presupposes an increase in the share of capital and current outlay on the scientific and technological preparation of production and the training of skilled manpower, that is, on working out more effective technical and technological, and also planning and organisational, principles of production, and on the appropriate training of the work force.

Second, intensification requires a fuller and more rational use of manpower and means of production through improved organisation of production and labour, elimination of absenteeism and idle-time, through an increasing degree of loading of existing equipment and a continuous supply of raw and other materials etc., and also through reducing expenditure of fuel, raw materials per unit of production, through com-

prehensive utilisation of raw materials; in other words, through an increased output of use values for each unit of raw and other materials used in production.

Third, intensification presupposes the implementation of an active structural policy which is necessary for making an effective balance between branches and lines of production, for the rational allocation of capital investment. One condition of intensification is the increased share of capital investment earmarked for modernising existing enterprises and reducing the share of capital investment for new construction. The priority use of capital investment for removing bottlenecks and disproportions that hamper increased efficiency of various sectors of production acquires considerable importance. Also of economic importance are the concentration of capital investment and the reduction in construction time-limits, and the accelerated commissioning of production capacities.

Fourth, one of the major ways to intensify social production is more widely to employ non-investment factors of economic growth, which would ensure expanded production without additional investment or with a relatively small investment which brings greater efficiency. The range of these factors is extremely wide. They include improved organisation of production, of labour directly employed in production and of managerial activity, the development of specialisation, co-operation and combined production, the creation of a more favourable moral and psychological "microclimate" at each enterprise through strengthening the educative role of supervisory personnel, and more psychologically satisfying working premises.

Fifth, the problem of intensifying economic growth should not be regarded only in connection with a single stage of social production, of the process of production itself isolated from other stages of reproduction. The above-mentioned scientific and planned preparation of production acquires immense significance in resolving the problem of intensification, i. e., the stage of reproduction preceding the stage of production itself. Already the very shift in allocation of forces and means between the two stages for the benefit of the scientific and planned preparation of production requires an increasing economic significance, insofar as economic efficiency increasingly depends upon scientific and technological development and science-based plans. That applies, in part, also to the stage of circulation.

The realisation of these plans for intensified economic growth in the CMEA countries requires considerable improvement of a whole system of guiding the social and economic development of socialist society. Meanwhile, it is important to ensure the comprehensive nature of work in this sphere and not to be restricted to improving certain areas only. The problem of raising the scientific level of economic and social management and of increasing the effectiveness of this management has become a key issue in the activity of the Communist and Workers' Parties in the CMEA countries. The Parties are paying greater attention to enriching and improving the ways and means of running society and are having greater success in resolving urgent economic and social problems, further restructuring social relations in the light of requirements for strengthening socialist society.

There are, in our opinion, two dominating tasks among the entire complex of problems: first, a fuller development of the planning mechanism and of maintaining an optimum balance and rate of extended reproduction with the employment of direct and indirect economic planning methods; second, the increasing use of material interest and moral stimuli in work, of the heightened social and production activity of working people, by consistently combining the interests of society, of each enterprise and each worker. Resolution of these tasks will open up wide possibilities for rapid scientific and technological progress and return on expenditure of social labour.

The CMEA countries are today tackling, on a wider scale than ever, the tasks of optimising a whole complex of economic proportions, more consistently applying criteria of economic efficiency and selecting the economically most rational version of development.

The efficiency of social labour expenditure is greatly predetermined at the stage of economic planning. In spite of the fact that radical modernisation of the principles of all planning, through implementing mathematical methods and computers, is only just beginning, one can say with assurance that large reserves will be found here for accelerating production. For example, in considering planning, economists have come to the conclusion that a plan in whose compilation optimum decisions are determined by linear programming can normally enable a country to increase economic efficiency by 10-40 per cent, by contrast with a plan compiled by traditional planning methods.

The Communist and Workers' Parties in CMEA member countries are bent on improving the whole of their planning. The fact is that today it is no longer possible to conduct planning on the basis of the existing structure, techniques and technologies of production, through a simple extrapolation of existing trends of economic development. Planning will more and more be based on scientific forecasts of economic development, of the factors of economic growth and the major economic sectors, with account for utilising the laws of nature and the consequent results for improving production techniques and technology. An invariable condition of planning is a careful economic analysis that ensures the most effective ways of scientific and technological progress.

In improving the mechanism of socialist management, one must, on the one hand, guard against underestimating the decisive role played by state planning, the principle of democratic centralism in managing the economy, against overestimating the possibilities for maintaining an optimum balance only on the basis of cost factors and against idealising "economic self-regulation". On the other hand, one must avoid notions associated with an underestimation of commodity-money relations under socialism, of the objective demands of the law of value which is causing social and economic complications (weakening of manpower interest in the development of certain sectors as, for example, in agriculture, the emergence of imbalance, weakening of the community of interests of various social groups); one must guard against making a fetish of the forced methods for increasing redistribution of the national income between sectors and enterprises, a rigid centralisation of economic management, that were typical of the period of launching socialist industrialisation; one must take steps to ensure an equivalent exchange of labour activity between sectors and enterprises. Both the former and the latter fallacious ideas are capable only of damaging social production in the socialist states. A consistent campaign against them is a necessary condition for full utilisation of the possibilities for further intensifying economic development in the CMEA countries.

In recent years, the CMEA member countries have been more closely linking the problem of increasing economic efficiency of production with that of economic growth rates. One may describe a proper approach to the problem of growth rates roughly as follows:

1. A high rate of growth of social production is not an aim in itself at the present stage of socialist economic development; it must be obtained through greater economic efficiency. The striving to increase economic growth rates without a corresponding increase in efficiency would ultimately produce nothing positive. Indeed, it might be possible, in a very short time, to raise the tempo of production by sharply increasing the share of production accumulation in the national income at the expense of the consumption fund and non-productive accumulation. Such an increase, however, would be short-term and would be achieved at the expense of scientific and technological progress and better living standards (after all, a higher standard of living is an important stimulus for improving production). Therefore, the foundation for a higher rate of economic growth is today, more than ever, efficient expenditure of social labour; a growth in output of certain types of production, which is not accompanied by an economy on forces and means of production or by a qualitative improvement in that production, cannot satisfy the interests of rapid economic development.

In his speech at the 1969 International Meeting of Communist and Workers' Parties L. I. Brezhnev, General Secretary of the CC CPSU, said: "While being fully aware of the importance of preserving high rates of general economic growth, we embarked on a course of building up the most advanced national economy in the world both for economic efficiency and for its scientific and technological level."¹ A similar attitude was taken in the materials of the Communist and Workers' Parties of other CMEA member countries. The Ninth Congress of the Hungarian Socialist Workers' Party, held in 1966, stated that "the rate of growth of the national economy and, consequently, the standard of living depend primarily not on increasing the volume of industrial production but on the extent to which we manage to produce more cheaply, with less material and labour expenditure, commodities for which there is a demand at home and abroad, on the extent to which we shall be able to improve the efficiency of work in employing capital investment and organising trade—in other words, improving the use of all economic means".

2. Behind the economic policy of CMEA countries lies an orientation on optimum economic growth rates which preclude excessively high rates not based on a country's real potential and which sharply restrict opportunities for increasing popular consumption; they preclude reduced growth rates caused by the underemployment of existing potentialities, reduction in economic efficiency and an extention of consumption that would undermine future economic development.

The average annual rate of increment of aggregate national income in the CMEA countries has changed over recent years as follows: 10.7 per cent between 1951 and 1955, 8.3 per cent between 1956 and 1960, 6.1 per cent between 1961 and 1965, and 7.3 per cent between 1966 and 1970. That means that, in practice, in the latter half of the 1950s and, especially, in the first part of the 1960s, the CMEA member countries have normally had to reduce the national income growth rate as a result of changed prospects for using various factors of economic growth. In the second half of the 1960s, most states managed to cope with a slowdown in national income growth rate. Scientific and technological progress, improved socialist economic management and greater economic co-operation are all leading, in the long term, to the creation of sound conditions for a substantial increase in the rate of national income growth.

3. The socialist economy is faced with the important task of ensuring not only optimum average annual growth rates of social production, but also relatively stable annual increments. During the years of socialist construction, the CMEA countries have experienced marked fluctuations in growth rates within short-term periods. This was caused partly by fluctuations in the annual size of farm output (as a result of years of good and bad harvests), but mainly because of "ups and downs" in industrial growth rates which were, to some extent, associated with a change in agricultural output and, to a large extent, by other causes, such as changes in capital investment and manpower, in efficient use of live and materialised labour, in a more or less beneficial economic balance as, for example, in the correlation between fuel and power sectors, on the one hand, and other industrial sectors, on the other. A better economic balance, capital investment planning for more sensibly allocating capital expenditure and returns, less dependence of farming on the elements, and the creation of necessary reserves are all producing greater economic stability, making it

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p 166.

possible to pursue a more consistent policy, and are preventing fluctuations in the growth rate of national income.

The Communist and Workers' Parties in CMEA member countries are mobilising the working people for further improving the socialist economy by drawing attention to unresolved tasks. At each stage of socialist and communist construction, the specific economic situation is carefully analysed, ways for improving the use of existing resources are sought and it is ensured that the economic policy conforms to the objective requirements of improved production. The balanced management of the processes of extended socialist reproduction is based on finding and using all the opportunities for a quantitative growth and, especially, a qualitative improvement in the productive forces in accordance with criteria and aims determined by the social nature of the socialist mode of production. An analysis of factors and conditions of economic development in each socialist state has prime importance in this.

Certain factors of economic growth today require more detailed description.

The CMEA countries, taken together, had a slower population growth during the recent five-year period. Total population increased between 1965 and 1970 approximately by 5 per cent, by comparison with 6.7 per cent in 1961-1965 and 7.7 per cent in 1956-1960.

In the 1966-1970 period, however, the CMEA countries simultaneously had a higher growth rate in the able-bodied age range of the population than in the 1961-1965 period because larger numbers of young people born after the war, when the birth-rate went up, were entering production. That means that the share of able-bodied people in the whole population noticeably grew; this was manifest only in some CMEA member countries.

The combination of this increased natural increment in able-bodied people in several countries with a higher degree of employment caused a higher rate of increase in those employed in CMEA economies (excluding the USSR) in the last five-year period. While, in 1961-1965, the growth rate of employed throughout the CMEA countries somewhat lagged behind the growth rate of total population, in 1966-1970, the former indicator considerably exceeded the latter. To a somewhat lesser extent, the rate of increase of the employed surpassed the rate of increment of the able-bodied population. Thus, the extent of employment in the economy markedly

increased. In the last five-year period the high rate of growth in those employed, which substantially exceeded the growth rate for the previous five years, was characteristic, especially for the Soviet Union.

The increase in employment of the able-bodied population in these states during the recent five-year period restricted the possibility of making much use of this source in increasing overall employment. By the 1970s, employment in a number of CMEA states (USSR, Czechoslovakia and the GDR) had reached a level which complicated a further increase. While at the start of the previous five-year period, the Soviet Union had 88 per cent of the able-bodied population employed in social production and studying, in 1970, the degree of employment of the able-bodied population was 92.4 per cent.

The attraction to production of able-bodied women from housework plays an important part in increasing employment. At the beginning of the previous five-year plan, the USSR had 79 per cent of women of working age either employed in production or studying. In recent years, a reduction in the number of able-bodied housewives has continued, and the share of those employed in social production or studying among the total of able-bodied women has increased even more. As a result of the high degree of employment, the possibilities for increasing employment in the economy in the immediate future will mainly be restricted to the natural growth in the able-bodied population.

Most other countries (Bulgaria, Poland and Rumania) have certain opportunities to raise the employment level in the near future. These opportunities will, perhaps, be used in the current decade. Bulgaria, for example, intends to raise the share of those employed in the economy among total labour resources from 81.6 per cent in 1970 to 82.7 per cent in 1975. If one includes all pupils and students of working age, the degree of employment of labour resources in Bulgaria in social production and studying will be close on 90 per cent in the mid-1970s. Bulgaria and Rumania, therefore, will completely overcome the trend towards a declining degree of employment of able-bodied women in social production by means of inter-branch redistribution of labour and the rural-urban migration; they will also exhaust the labour force among urban women due to that. One may expect that, in the latter half of the 1970s, these two countries will reach as high a level of employment as today exists in the USSR, the GDR and Czechoslovakia.

Along with the sharply reduced opportunities for increasing the share of those employed among the able-bodied population in certain CMEA member countries, other countries are being faced by a factor which is hampering increased employment, that is, a slower rate of increase in the able-bodied population. In this connection, it is possible that between 1971 and 1975, the rate of increment of those employed in the CMEA member countries, taken together, will not be greater than it was in the period 1966-1970.

In the 1971-1975 period Bulgaria, for example, is intending to involve another 184,000 people in the economy through the natural increase in the working population and through the work of former housewives, while in the 1966-1970 period 252,000 people were involved in the economy from these sources. The flow of workers from agriculture into non-agricultural spheres is also slowing down. In accordance with the possibilities that exist in Rumania, a process of redistribution of manpower between agriculture and non-agricultural production is being accelerated in favour of the latter. The number of industrial and office workers in the Rumanian economy was to increase by more than a million people between 1971 and 1975 on this basis.

In the 1976-1980 period, the rate of employment growth in the CMEA countries should be affected by the following two factors:

- (a) a slowdown in the rate of increase in the number of people of working age and an absolute reduction in the natural increase in able-bodied population (this factor will begin to operate earlier in most European CMEA member countries and later in Mongolia) and,
- (b) the impossibility of further increasing the degree of employment in many states which will reach its limit (as applied to a given stage of social development).

In examining the problems associated with the labour resource balance, it is important to emphasise that the manpower situation will be basically determined not by using manpower reserves and not by the dimensions of natural growth in the able-bodied population. The many varied processes of re-allocation of existing manpower have played and continue to play a decisive role. In other words, the economic requirements for manpower for new and free jobs will be mainly covered from sources unconnected with an increase in the overall number of employed.

Today, the CMEA countries are increasingly experiencing, in one way or another, a lack of manpower in various economic sectors. It is becoming more and more difficult to attract fresh workers into production so as to increase the planned volume of output bearing in mind, in particular, that enterprises cannot always manage to ensure a planned increase in productivity. The lack of manpower is primarily due to the fact that several CMEA countries have exhausted those sources of employment increase in the economy and those opportunities for redistributing them between individual sectors of the economy which had earlier enabled them, virtually without cease and on a large scale, to cover the needs of industry and other non-agricultural sectors for extra manpower. The need has arisen in recent years to limit temporarily the scale of redistribution of manpower between agriculture and non-agricultural sectors in favour of the latter, so as to prevent any adverse effect on agricultural growth. The task is increasingly to encourage young people from the village to stay on the farm. It is necessary considerably to improve the material and technological equipment of agriculture in order to achieve a substantial reduction in farm employment. A number of complex problems also arise in further increasing the level of female employment: a number of important factors must be taken into consideration, including the impact of greater female employment on the birth-rate figures. The need is growing for a rapid extension of the sphere of social satisfaction of household needs as a condition for the further attraction of women into employment.

It is also important, in correctly evaluating the economic manpower situation, to note the fact that up till now the use of obvious manpower reserves predominated (elimination of agrarian overpopulation, attraction of women into social production, not to speak of the abolition of unemployment in the very early years of socialist construction) and, to a lesser extent, the use of such manpower resources formed from the existence at enterprises of a larger number of workers than necessary with a better employment of existing techniques and improved labour organisation.

The former system of planning and economic management which had played, on the whole, a positive role in resolving many important economic tasks, nonetheless resulted in insufficient interest by enterprises in improving economic efficiency and, in particular, created an artificially high demand for manpower. Enterprises often tried to use extra

manpower to expand output, rather than the reserves to achieve higher productivity. In many cases, the result was that the number of people employed at enterprises steadily exceeded their manpower requirements determined by optimum use of labour and the potential for raising productivity without any substantial capital investment through strengthening labour discipline, improving labour organisation, and so on.

In the course of the economic reforms at present under way in the CMEA states, conditions are gradually being formed for boosting output of enterprises without increasing their manpower or even by reducing it and transferring excess labour to other parts of production. For the mechanism of socialist economic management greatly to stimulate an economy of manpower, however, one needs to gain experience, to conduct economic experiments on a large enough scale and to reach a higher level of organisation of production and labour. It is evident that, over the long term, a redistribution of workers among branches and enterprises will significantly increase. This process will accelerate in line with scientific and technological progress and with increasing economic efficiency. The manpower redistribution for increasing productivity will take place in the CMEA countries with account for many factors. First, they aim to prevent any artificial hindrance on redistribution of labour between enterprises or on improving the efficient use of manpower. Second, they are taking steps to see that any release of workers does not lead to a lower level of employment or of living standards. The possibilities for removing or averting any shortage of manpower will, therefore, increase over the long term.

In evaluating the prospects for increasing live labour expenditure in material production, one has nonetheless to consider a number of factors that militate against this. The evident trend in the CMEA member countries at the end of the 1950s and beginning of the 1960s towards a smaller share of material production in the total number of employed and a corresponding increase in share of the non-productive sphere will have a considerable influence on the rate of employment in material production, as well as the above-mentioned specific features of increased labour resources in the near future and certain changes in the extent of their involvement in social production.

Moreover, the shorter working week which has been introduced, is being introduced or will be soon introduced in

CMEA countries, will result in a decline in the social aggregate fund of working time which may be compensated by an increase in the total of employed only over a number of years. Obviously, the CMEA countries will cut their working week further over the coming 20 years. It therefore follows that they will, in one way or another, show a tendency to a slower rate of growth in the aggregate social fund of working time spent in material production or to a stabilisation or even reduction in this fund; as a result, the economic importance of higher productivity will be even greater.

The changes in the social productivity of labour within CMEA states, calculated by the size of national income per person employed in material production, testify to the considerable achievements in raising productivity. The figure for 1970 was, on average, 3.8 times higher than in 1950. The productivity growth rate in Rumania, Bulgaria, the GDR and the USSR was higher than this average, while that of Czechoslovakia, Poland and Hungary was lower.

If we compare the average productivity growth rate per annum in the first five-year span of the 1960s and the two previous five-year periods, it is apparent that these growth rates have fallen. This slowing down has also brought a lower growth rate of social production. The production growth rate could have remained the same or even increased if the lower productivity growth rate had been compensated by a faster growth in employment. However, the opposite occurred in most states and the numbers employed in material production slowed down or even diminished. The part played, therefore, by extensive sources of expanding production declined somewhat, but the influence of intensive sources, too, did not rise as it should have done. As a result, the early 1960s saw a temporary decline in the rate of productivity growth.

With the exception of Rumania, the CMEA states had a faster productivity growth rate in the recent five-year period (1966-1970) by comparison with the 1961-1965 period. The average annual increment in social productivity amounted to 6.0 per cent in 1966-1970 as compared with 5.2 per cent in the 1961-1965 period, including 6.2 per cent against 5.3 per cent in the USSR, 8.3 per cent against 7.1 per cent in Bulgaria, 5.6 per cent against 4.1 per cent in Hungary, 5.2 per cent against 3.9 per cent in the GDR and 5.7 per cent against 1.4 per cent in Czechoslovakia. They therefore overcame the tendency towards the slowing down in productivity growth that had taken place in the 1961-1965 period by comparison with the

1956-1960 period. Plan targets for labour productivity growth, however, often remain unfulfilled, and one of the major tasks of economic development is to further accelerate the growth of labour productivity.

That will enable the CMEA countries to improve the balance between the shares in the increase in national income gained from higher productivity and increased numbers employed in material production.

The CMEA economic policy is aimed at obtaining a rational balance between these two sources of production growth so as to guarantee full employment of all existing labour resources and the implementation of advanced techniques and technology, organisation of production and realisation of all possibilities for higher productivity. The CMEA member countries therefore set themselves the goal of ensuring that the growth rate of the social product increases faster than the growth rate of numbers employed in the economy. Higher productivity thereby plays the major part in expanding the scope of production.

Higher productivity played a smaller part in the 1961-1965 period in ensuring higher national income in the CMEA countries than it did in the 1956-1960 period, despite the fact that some countries (Bulgaria, the GDR, Hungary and Rumania) had fewer people employed in material production in 1965 than they had in 1960 and, consequently, the entire rise in national income was due to higher productivity. Therefore, the task of enhancing the part played by productivity growth in boosting national income has acquired even greater importance.

Several vital conditions are being created in the CMEA countries for enhancing the part played by higher productivity in increasing national income. In the recent five-year period, the influence of a change in total employment on the production of national income diminished by comparison with the previous five years in Czechoslovakia and the USSR. In the USSR, the increase in employment in material production produced, in 1966-1970, only a 13 per cent rise in national income as compared with 17 per cent between 1961 and 1965. Correspondingly, higher productivity in 1966-1970 produced 87 per cent of the national income increment by comparison with 83 per cent in 1961-1965. In Bulgaria, Hungary, Poland and Rumania, however, the employment figures for the recent five-year period produced a greater effect on national income growth than in the 1961-1965 period. The two following

circumstances must be taken into account when evaluating this fact.

First, any enhanced effect of changing employment figures on a higher national income was due to a faster growth in numbers employed in material production during the previous five years, by comparison with the earlier period in Poland and, renewal of that growth, in Bulgaria, Hungary and Rumania. These changes in employment are, to a large extent, natural, insofar as they either reflect changes in the numbers of the working population actually employed or they show an improved use of existing labour resources. Any extension of possibilities for a substantial increase in employment or realisation of these possibilities naturally affect the balance between shares of national income increment obtained either through higher productivity or through higher employment, with a tendency for that share of national income growth to increase which is ensured by higher employment in material production.

Second, growth in social productivity, in fact, generally increased during the recent five-year period rather than slowed down by comparison with the earlier five-year period. Consequently, a certain reduction in the share of national income increase, obtained through higher productivity, was generally unconnected with any slowing down in its growth.

It follows, therefore, that although there was a tendency for the share of national income growth obtained from higher productivity to fall in the recent five-year period, this tendency was manifest in the conditions of accelerating both growth in productivity and growth in employment. Under the circumstances, the shifting balance in the role played by the two factors in increasing national income—changes in productivity and employment—are due to the fact that the rate of productivity growth increased insufficiently to compensate for the increasing influence on national income of the growth in employment.

Statistics for the entire economy show the very divergent proportions in the growth of net output as a result of higher productivity and of higher employment which are developing in individual spheres of material production. In farming, for example, the increase in net output is normally ensured exclusively by higher productivity with lower employment. In industry, a more or less large part of the increase in net output usually comes from a larger work force.

Industrial development during the socialist period has seen the large-scale incursion of extra manpower into industry and a high productivity growth. Between 1951 and 1970, the number of industrial workers increased 2.9 times in Bulgaria, 58 per cent in Czechoslovakia, 20 per cent in the GDR, 2.2 times in Hungary, 116 per cent in Poland, 2.0 times in Rumania and 2.1 times in the USSR. At the same time, labour productivity has also grown quickly: the volume of net industrial output per worker increased between 1950 and 1970 2.4 times in Czechoslovak industry, 2.1 in Hungarian, 2.2 in Polish and 5.6 in Rumanian. This caused a rapid growth in industrial production.

National income created in industry in Rumania, Bulgaria and the USSR increased at its fastest rate between 1951 and 1970; these are countries which had a higher productivity growth and employment growth than in other CMEA countries. Czechoslovak industry had the slowest national income growth, since the rate of increase in productivity and employment in industry were lower than in most other CMEA member countries.

The productivity growth rate, estimated on the basis of net output, slowed down in the 1961-1965 period by comparison with the 1956-1960 period. Czechoslovakia was most affected and Hungary least affected by this slowdown. The higher productivity rate coincided with the higher employment rate in industry only in Rumania, while in Poland growth in industrial manpower was faster with virtually a stable rate of increase in productivity; as a result, these two countries had a faster increase in net industrial output between 1961 and 1965 than between 1956 and 1960.

Along with the slower productivity growth rate, Czechoslovakia had a slower rate of employment in industry, while the GDR had a more or less stable employment. In the USSR, a considerable slowdown in the employment rate coincided for a time with a lower productivity growth rate and a slower increase in net industrial output. Finally, while Hungary had a lower productivity rate and an increased employment rate, this could not substantially change the output picture: the rate of increase in net industrial output remained virtually the same. Within the period 1961-1965, a lower productivity growth rate usually occurred in the years 1961-1963, while it was overcome in the years 1964-1965.

In the period 1966-1970, the productivity and industrial employment picture substantially changed in several states.

The tendency for a certain decline in the productivity growth rate was largely overcome and the growth quickened. At the same time, however, several countries had a lower employment increase rate than in the period 1961-1965. All the same, the increase in net industrial output somewhat accelerated because the fall in employment rate was covered by a higher productivity rate.

Typically, higher productivity plays the dominant part in increasing industrial production in the CMEA countries. According to preliminary estimates, Hungary had a 67 per cent increase in net industrial output, Poland a 76 per cent increase, Rumania—89 per cent and Czechoslovakia—80 per cent over the period 1951-1970 thanks to higher productivity. For certain periods, however, some countries owed a large part of the national income growth created in industry to higher employment in that sector. Between 1966 and 1970, for example, higher employment ensured 34 per cent of the growth in net industrial output in Hungary, 39 per cent in Poland, and 27 per cent in Bulgaria and Rumania. Nonetheless, several states had a declining role in higher employment for ensuring a growth in industrial output, while the part played by higher productivity grew.

To evaluate the essence of any changes in the correlation of shares in the national income received through higher productivity and employment, one must analyse the specific economic situation in each country. Thus, an increasing share of national income growth from higher productivity may be explained both by a higher productivity growth rate and a slowing down or halting of the growth in employment due to the exhaustion of labour reserves. A fall in this share may imply both a worsening of the productivity situation and an increase in employment, due to a faster growth in the able-bodied work force.

In spite of the specific features of the economic situation in each CMEA country, they all reach a stage when they need to increase the share of output growth through higher productivity. A further increase in that share would create conditions for accelerating the socialist extended reproduction and raising living standards. The Communist and Workers' Parties, therefore, mobilise all efforts to the fullest employment of all opportunities for increasing productivity through greater mechanical power per worker, improved techniques and production technology, higher qualifications, optimum intensification of the labour process, improved labour organisation

and a better economic structure. Resolution of this task should be helped by the economic reforms to raise the effectiveness of stimuli for improving production and, at the same time, for speeding up scientific and technological progress.

Higher productivity comes mainly from raising the level of technological equipment. The amount of basic production assets for each employed worker in material production increased, between 1953 and 1970, 4.9 times in Bulgaria and, between 1951 and 1970, 2.0 times in Czechoslovakia, 2.2 times in the GDR and Hungary, 1.6 times in Poland, 3.7 times in Rumania and 4.0 times in the USSR. The introduction of new and the better employment of existing technology is the most important factor affecting the productivity growth rate; moreover, the growth in the size of the basic production assets for each employed person is increasingly secondary to qualitative changes in the technological level of these assets. The sophisticated techniques and technological decisions that determine construction of plant and machinery play an important part in increasing productivity, and not an increase in the number of pieces of obsolete equipment. Employment of the results of research and development has an increasing impact on labour productivity, more so than simply the growth in the asset-to-man ratio in general.

Mechanisation of manual work still maintains its importance, alongside the developing technological re-equipment of labour on a new scientific basis. As much as two-fifths to three-fifths of all workers are employed in industry run by mechanised or partially mechanised labour or by workers who control or supervise the running of plant and machinery; the rest are employed in manual operations. It is true that the latter include a group of skilled workers responsible for quality control, but its share is not great (approximately 5-7 per cent). So a large number of workers are engaged in low productive manual labour while, moreover, even among workers servicing plant and machinery there is a relatively large group of predominantly heavy physical labour (manual labour with materials for machines and installations, etc.) The share of manpower engaged in automated production is not yet very great.

Work is in progress in the CMEA countries to improve automation and mechanisation of labour. In particular they attach great importance to bridging the gap that exists between the degree of mechanisation of basic and auxiliary production processes. Up till now, one-tenth or more of industrial

production workers are engaged in intra-factory transport and servicing work without employing technical auxiliary facilities. Alongside the implementation of measures for the comprehensive mechanisation of production, growing attention is being paid to using methods of small-scale mechanisation of auxiliary jobs capable of producing a considerable economic effect.

The Communist and Workers' Parties of the CMEA countries base their approach on the large size of reserves for an increase in production efficiency. The 24th CPSU Congress and the recent congresses of fraternal Parties have all noted new targets in the fight to improve the socialist economy. In the current five-year period, they intend to consolidate and develop positive trends in production efficiency that were manifest in the previous five-year period. All states except Rumania intend somewhat to increase labour productivity in industry and some also to increase the share of output growth obtained from this factor. The productivity growth in Soviet industry is to be 39 per cent during the 1971-1975 period as against 32 per cent in the 1966-1970 period, 47 against 40 per cent in Bulgaria, 30-32 against 29 per cent in Czechoslovakia, 35 against 32 per cent in the GDR and 32-34 against 20 per cent in Hungary.

This indicator of intensive development shown by the share of national income growth obtained from higher productivity will be relatively high in the present five-year period in all the above-mentioned states, except Poland; it is to be approximately between 80 and 95 per cent (including 80-85 per cent in the USSR and 95 per cent in Bulgaria and Czechoslovakia). The GDR plans not to increase the numbers employed in material production, despite the overall increase in the economy as a whole, and to obtain the entire increment in national income due almost entirely to higher productivity. Thus, in industry, the share of output increase obtained from higher productivity will in many countries be higher than in the previous five-year period and will amount, as a rule, to about 70-90 per cent (including 87-90 per cent in the USSR). These states are to pay particular attention to improving the relationship between the rate of increase in productivity and wages, which somewhat worsened in the previous five-year period.

The production potential of society today increasingly depends on the amount of accumulated past labour and the effectiveness of its employment. Conditions are being created for sharp weakening of the dependence of the rate of

production expansion on the size of live labour participating in production, on the number of workers; and the dependence is growing of this rate on the total of past labour involved in the reproduction process and on the extent to which this labour, embodied in plant and machinery, production buildings, fuel and energy and raw materials, is used rationally.

The predominant trend in the changing share of accumulation in national income over the years of socialist construction has been to increase this share, although the relationship between accumulation and consumption has not been static; it has changed depending on the development conditions of each state and in conformity with the tasks confronting them. The socialist states have based their economic policy on the notion that higher living standards demand a preliminary big increase in the amount of accumulation that guarantees a corresponding production expansion, inasmuch as consumption cannot increase without creating material prerequisites, if the level of production and consumption in subsequent years is not to be threatened by decline or stagnation.

With the transition to socialist industrialisation and economic restructuring at the beginning of the 1950s, it was necessary to increase the share of accumulation which, in several countries, was accompanied by a slowing down of the rate of increase of the consumption fund. After that relatively short period, a rapid growth in national income normally enabled CMEA states to ensure an absolute increase in the consumption fund even with a relative stabilisation or even increase in the share of accumulation in national income. Furthermore, most countries deliberately reduced the share of accumulation for several years and this enabled them to increase living standards faster than the growth of national income.

At the end of the 1950s and the beginning of the 1960s, however, an increase in the proportion of accumulation in national income again occurred everywhere. The picture varied for different states in subsequent years. In the USSR, for example, the share of accumulation in 1961 exceeded 28 per cent having achieved its maximum in the period after 1950; between 1962 and 1969, it varied within the limits 25-28 per cent, and in the last years of the recent five-year plan it showed a tendency to increase somewhat (up to 29.4 per cent in 1970). In Bulgaria in the 1960s, periods of a high share of accumulation (up to 34 per cent) alternated with years of a comparatively low share of accumulation (up to 18 per cent), but the periods of high accumulation predominated. In

Hungary, the highest share of accumulation occurred between 1962 and 1964 when it reached 27-28 per cent which only yielded to the figures for 1951 and 1953, while it straightened out on a lower level in the years 1965-1968, but it took an upturn in 1970. Poland has had a slow but relatively steady growth in this share (from 24 per cent in 1960 to 27 per cent in 1970), i. e., in recent years, the share of accumulation has remained at its highest level since the 1950s, with the exception of 1953. A noticeable increase in the accumulation share in national income took place in Rumania during the 1960s. Accumulation in the GDR has been distinguished by a gradual (though with some fluctuations) increase in its share throughout the post-war period. In 1950, the GDR earmarked only 8.5 per cent of the national income for accumulation, but, in recent years, the share has been approximately 22 per cent (23.1 per cent in 1970).

Czechoslovakia has had a rather different development. From 1962 to 1965 it had a rapid fall in the share of accumulation (from 18.4 to 9 per cent), while it again increased between 1966 and 1970.

So the tendency for an increase in the proportion of accumulation, that predominated in the late 1950s (and the accompanying trend towards a changing balance between production and non-production accumulation in favour of the former), has led to a situation where a larger share of national income has, in recent years, normally been apportioned to production accumulation in most CMEA countries than throughout most of the 1950s and the early 1960s. Elsewhere, this share has stabilised at a relatively high level or has diminished marginally. In certain years, however, a number of states had a fall in this share due to increasing consumption, insofar as one of the goals of economic policy has been to eliminate, as far as possible and within certain bounds, the effect of fluctuations in the rate of national income increase on the rate of increase in standards of living. This is due to the fact that the resolution of social and economic tasks advanced by the Communist and Workers' Parties today (including in the immediate future) is impossible at the present level and character of effectiveness of accumulation without maintaining a high proportion of production accumulation.

Although, since the end of the 1950s, the CMEA countries have often had a faster accumulation increase as compared with national income increase, the effect of a higher proportion of accumulation on national income growth rate has often

declined. National income increased more slowly during the 1960s than it did in the 1950s. Admittedly, the substantial fall in the growth rate of national income at the beginning of the 1960s was, in fact, overcome; but in the second half of the 1960s, the average annual growth in national income, which had exceeded that of the first half of the 1960s, was lower than the average annual increment for the late 1950s and, even more so, for the early 1950s. Since an increase in the volume of national income had slowed down, the accumulation fund also began to increase more slowly despite the growth in its proportion in the national income.

An analysis of the relationship between the growth rates of production accumulation and national income demonstrates that during the period 1956-1965 (especially 1961-1965) an unfavourable trend towards increasing the share of production accumulation in national income which guaranteed every percentage of national income growth took place or, in other words, towards a decline in the amount of relative growth of national income per unit (each percentage) of the share of production accumulation in the national income.

Virtually all CMEA member countries suffered a reduction in the relative average annual increase in national income per one per cent of the proportion of production accumulation in the national income throughout the three five-year plan periods—from 1951 to 1965.

Thus, a fall in the indicator expressing the relationship of national income growth to the share of production accumulation testified to the sharp fall in the effectiveness of accumulation. The halting of this process in most states is an important new feature in economic development; in some of them, the level of accumulation effectiveness has even increased somewhat (of course, chronological delineation here is conditional and the beginning of the process of better accumulation efficiency, in fact, is really towards the final years of the previous five-year period). This improvement in the indicator of accumulation effectiveness, however, is still small and does not yet ensure a sufficiently high level of efficiency.

Production accumulation had a double load during the 1960s: an increase in the share of production accumulation was supposed to compensate for the diminishing effectiveness of capital investment and the output-asset ratio; it was also supposed to ensure a further expansion of production. A stabilisation of the output-asset ratio could substantially reduce the economic load on production accumulation since part of

the effect from increased accumulation would not be destroyed by a fall in the effectiveness of using operating assets, and the entire growth in accumulation could be circulated so as to speed up the rate of growth of national income. An increase in the output-asset ratio would be equivalent to an increase in production accumulation. In the circumstances of a fall in the assets-output ratio, even a stable share of accumulation would ensure a higher rate of growth of national income. Moreover, with a growth in the output-asset, the rate of growth of national income could remain unaltered or increase even in the event of the share of production accumulation falling.

An increase in effective use of accumulated assets is today becoming a prime task. Most CMEA countries believe it necessary to ensure the growth in national income mainly by increasing the efficiency of social production. This is understandable, because any sharp increase in the share of accumulation in the national income could lead to a slower rate of growth in the consumption fund, at a time when the CMEA countries have at their disposal considerable reserves for expanding production by a more rational use of accumulated assets. Therefore, the Communist and Workers' Parties, as a rule, do not consider it possible to have a forced increase in capital investment through a sharp increase in the share of accumulation in the national income.

The plans for 1971-1975 noted that every effort should be made to improve the dynamics of capital intensiveness and asset intensiveness. It was planned, in particular, to follow a more consistent policy in concentrating capital investment on construction projects already begun. Bulgaria, for example, did not intend to build any new enterprises until all the capacity of the existing factories through reconstruction, technological modernisation and improved shift system is exhausted. The task was to bring up the share of funds earmarked for reconstruction and modernisation to no less than 35 per cent of the sum total of capital investment in material production. The GDR underlined the need sensibly to employ modernisation and reconstruction at enterprises so as to increase production without building new capital-intensive projects; it regarded it as important in capital construction to complete new construction in the shortest possible time. A reduction in the excessively growing scale of unfinished construction and in the periods for building enterprises was to considerably help to enhance the effectiveness of capital investment.

Marked progress is being made in reducing material expenditure in production. In Bulgaria, for example, a reduction in material expenditure will lead to a slight increase in the share of national income in the aggregate social product (it declined between 1966 and 1970, although at a slower rate than in the period 1961-1965).

A similar change in the relationship between the growth rate of national income and of aggregate social product is to take place in Hungary. A noticeable reduction in material expenditure is planned for Rumania. In the USSR, the 24th Congress directives provide for a cut in the level of expenditure of fuel, power and certain types of raw material by 7-10 per cent, and of rolled ferrous metal for engineering by 18-20 per cent.

The problem of increasing the effective use of accumulated resources is also being tackled by countries that have an increased share of accumulation. Despite the increasing scope of the accumulation assets, the focal point of the problem of accumulation in all the CMEA countries is now the sphere of effective accumulation.

The accumulation policy of the CMEA countries increasingly takes into consideration the fact that the greatly improved standards of living and, correspondingly, the more advanced requirements of the population are producing a need to accelerate the growth of consumption so as to ensure the proper action of levers for materially stimulating the work force. The problem of the optimum upper limit of accumulation acquires immense importance in this connection. It depends on many factors: the possible structure of the material composition of accumulation assets at a certain stage, the interests of concentrating capital investment and, by no means least, the tasks of such an increase in consumption which largely corresponds to the scope of expanded production, insofar as any long-lived considerable lag of consumption from growth in production engenders factors that adversely affect the efficiency of production.

The problem of combining a further growth in the welfare of all sections of the population and heightened stimulation of workers' efforts to expand production and, especially, to increase economic efficiency has become more acute than ever, due to the present-day objective requirements of social development. An important aspect of this problem is that, due to the achievements in socialist production, it is now possible and increasingly necessary to speed up and manifest, in each concrete situation, everywhere and always, an indissoluble link

between the interests of society and the long-term and short-term material interests of the work force and of each worker.

At the same time, the tasks of material stimulation of workers have become more complex and many-sided because of the growing requirements and demands of the population. Above all, the effect is growing on economic development of the standard of living, i.e., primarily the size of the consumption fund (and also the fund of non-production accumulation which a country has at its disposal). The growth in the consumption of assets becomes an increasingly important factor encouraging the development of social production. This has several causes.

First, a qualitative improvement in manpower is becoming a far greater condition for higher production than before; this presupposes increased outlay on raising the educational and skill level of workers, improving the organisation of health and leisure.

Second, raising the qualitative indicators of production also acquires special significance for ensuring economic growth; it can only be implemented by more widely applying material incentives and raising living standards.

Third, the interrelationship between growing earnings and a higher degree of material interestedness becomes more complex at a certain level of material welfare and culture in a situation of rapid growth in popular requirements urged on by scientific, technological and cultural development. The effect of a small growth in income diminishes and a noticeable increase of interest in labour efficiency is only achieved with a substantial income rise. Consequently, the problem of the growth rate in the consumption fund, keeping pace with rising living standards, does not lose its importance from the viewpoint of stimulating economic progress; in fact, it increases in importance.

Fourth, in pursuing reasonably profound economic reforms, the following salient aspects of the interconnection between rising welfare and improving qualitative production indicators appear: the consistent observance of cost accounting changes the growth in a factory's costs for payment per worker into a factor that encourages manpower economy, better employment of specialists and a campaign for a more efficient use of production assets.

Due to these and other reasons, increased expenditure on manpower reproduction is becoming more than ever a decisive

direction of social expenditure for promoting production. While the share of production accumulation in the national income is relatively great, the possibility appears at a certain fairly high stage of development of productive forces, with a wide-scale intensification of production, for using a change, within certain limits, in the correlation of the production accumulation fund, on the one hand, and the consumption and non-production accumulation funds, on the other, in favour of the latter as a powerful lever for accelerating economic growth. This, of course, presupposes the existence of a fairly efficient system of material stimulation of enterprises and workers.

From what we have said, we may conclude that in the near future a rise in the consumption fund will be increasingly both a social task and a method for expanding and improving social production in the CMEA member countries.

Economic development in the current five-year period is to bring a considerable increase in living standards. In Bulgaria, for example, real incomes are to increase by 25-30 per cent, in Czechoslovakia by 28 per cent, in the GDR by 22 per cent, in Hungary by 25-27 per cent and in the USSR by 30.8 per cent.

Living standards will be raised not only by increasing real incomes, but also by improving the provision of consumer goods. The plans place high priority on far-reaching housing programmes.

Social consumption funds will everywhere increase faster than wage funds. Special attention is being paid here to improving the material situation of large families. It is planned to increase pensions and grants and in so doing more fully to take account of the growth in incomes of the working population.

Any improvement to the socialist economy is, of course, not a spontaneous automatic process. Temporary hardships are inevitable sometimes and many obstacles have to be overcome. It is therefore exceedingly important, and increasingly so, for the Communist and Workers' Parties to conduct creative work in guiding social development, which enriches the collective experience of the socialist countries and enables them confidently to move ahead and widely to utilise the inexhaustible objective opportunities of the new social system.

As stated earlier, it is particularly important for the CMEA countries to increase the return of accumulated assets. Economists look primarily to those reserves for increasing this return which exist in the sphere of capital construction.

All CMEA countries had a marked downturn in the average annual rate of increase in capital investment in the 1961-1965 period by comparison with the previous five-year period. On the whole, the rate of growth was approximately halved; the greatest fall was in Czechoslovakia and the least—in Poland and Rumania. This decline was largely due to the slower rate of increase of national income, which was not compensated by an increased share of the accumulation fund. In the 1966-1970 period, growth of investment in all CMEA member states accelerated (approximately by one-third for these countries as a whole), by comparison with the 1961-1965 period. This was mainly attributable to the increased growth rate of national income and, in some countries, to the increased share of accumulation. The biggest acceleration of annual average investment growth rates in the 1966-1970 period over the previous five-year period occurred in Czechoslovakia (3.6 times) and in Hungary, while the slowest increase occurred in Poland and the USSR.

A number of complicated problems are at present being tackled in capital investment. In particular, the CMEA states are diversifying their processing industry; the expansion of its production capacity requires a corresponding extension of the raw material base; they are tackling the important economic task of improving farm production. As a rule, any structural change aimed at speeding up the rate of growth and enhanced priority of a particular sector presupposes the creation of certain conditions by concentrating efforts and resources so as to accelerate growth of several other sectors, too, like those on the level of which the growth and economic efficiency of a given sector depends, and also those which ensure a further utilisation of the output of a given sector if that output is not destined directly for non-productive consumption. Demands on the total capital investment in the economy are also growing apace with the steady exhaustion of possibilities for increasing employment and the consequent heightened compensatory role of capital investment.

The principal direction of the steps being undertaken in the CMEA member countries, which are aimed at improving the effectiveness of capital investment, is to campaign against the unjustified spreading of capital investment, to cut down on time-wastage and to reduce costs of construction, to improve the technological structure of investment, and so on. They are achieving a rapid growth in basic production assets. The USSR,

for example, had a sixfold increase in basic production assets in 1970 over 1950, Rumania—4.2 times, Hungary—2.6, Poland—2.5, the GDR and Czechoslovakia—2.3; in Bulgaria, the 1970 figure was 4.7 greater than that of 1952.

The 1960s were marked almost in all CMEA countries by a more rapid growth in the asset-to-worker ratio than in the 1950s. Throughout the 1960s, however, there was a tendency for some states to have a slower growth of this ratio largely due to a faster increase in employment figures. In present conditions, when production techniques are rapidly improving, the dynamics of cost indicators of this ratio are becoming less indicative than they were earlier at a more stable scientific and technological level. Nowadays, a growth in the qualitative level of technology which cannot and must not be accompanied by a corresponding increase in its cost is playing an increasing role.

The growth in the asset-to-worker ratio is not an aim in itself. It must ensure a steady increase in labour productivity. In certain countries at certain stages of economic construction, the relationship between the growth rates of this ratio and labour productivity is different due to such factors as changes in the balance of expanding production by means of more intensively utilising existing production capacity, modernising existing enterprises and constructing new enterprises; changes in the correlation between the more asset-intensive and less asset-intensive sectors in the country's economy; a growth or reduction in the intensive use of basic production assets; a particular economic efficiency from introducing new techniques and technology.

The coefficient of change in the asset intensiveness of the increment of social labour productivity, expressing the relationship between the growth in the asset-to-worker ratio and social labour productivity for the entire period 1951-1970, was a little more than a unit in Bulgaria and the USSR, close to a unit in Hungary and less than a unit in Czechoslovakia and Rumania. Throughout that period, the coefficient underwent substantial oscillations in many CMEA countries. The overriding tendency was for the coefficient to increase in the 1961-1965 period as compared with the two previous five-year periods, with a subsequent decline in the 1966-1970 period.

Despite the favourable changes attained by many countries in the recent five-year plan period, much still has to be done to see that the growth in materialised labour being used in material production in the form of basic production assets per

worker greatly helped to increase the efficiency of live labour expenditure.

Steps are being taken towards that end in the CMEA member states; they are intended to encourage an improvement in the interrelationship between the growth rate of the asset-to-worker ratio and that of labour productivity by improving the techno-economic characteristics of newly commissioned equipment, reducing the number of workers required for a given magnitude of production assets, and making fuller use of these assets. In evaluating any shifts in the correlation of growth rates of labour productivity and the asset-to-worker ratio, one has to remember that the employment situation in material production has a considerable effect on this correlation. When the rate of employment slows down, a growing share of the increment in assets is used to compensate for this slowing down, and this helps to promote a tendency towards a priority growth rate for the asset-to-worker ratio.

The dynamics of efficient use of basic production assets, expressed in the correlation of the growth rate in national income and these assets, bear witness to certain positive changes in the use of the production apparatus by CMEA states in the recent five-year period.

Over the period 1951-1970, growth in national income surpassed growth in basic production assets in Czechoslovakia, the GDR, Hungary, Poland, and Rumania and, conversely, lagged behind the growth in these assets in Bulgaria and the USSR. The dynamics of the output-asset ratio improved in most CMEA countries in the 1966-1970 period by comparison with the previous period. It either grew or its decline was halted and the level stabilised.

The changing role of shifts in the output-asset ratio and the size of basic production assets in ensuring higher national income is one of the indicators of economic efficiency. Most countries in the 1961-1965 period had an increase in national income only by augmenting the size of the basic production assets, while the efficiency of their use diminished and this had an adverse effect on the rate of growth of national income. In the subsequent period, favourable changes in the correlation of shares in the growth of national income, obtained through an increase in basic assets and in the efficiency of their employment, occurred in Bulgaria, Czechoslovakia, the GDR, Hungary and the USSR. In Czechoslovakia, the GDR and Hungary, the renewed increase in the output-asset ratio brought a saving of part of the national income. In Bulgaria,

a reduction in this ratio was only slowed down and the compensatory role of the increase in the size of assets was maintained even though it somewhat declined.

Thanks to an increase in efficient use of basic production assets during the recent five-year period, an increase in national income of 37 per cent was obtained in Czechoslovakia (the remaining 63 per cent was obtained from increasing the size of the basic production assets), 28 per cent was obtained in Hungary and 9 per cent in the GDR. In Poland and the USSR, efficient use of assets remained virtually the same and the entire growth in national income was assured by the increase in size of the assets. Efficient use of assets fell in Bulgaria and Rumania, and an increase in the size of the assets ensured in the former a 130 per cent increment in national income and a 151 per cent increase in the latter (i.e., an increase in the size of the assets, first, compensated the adverse effect of a reduction in their efficient use on the development of the national income and, second, ensured their further growth).

Phenomena signifying a lower efficient use of production assets and capital investment were partly caused by the objective demands of economic development. The CMEA member states directed their efforts to overcoming the unjustified gap, that had arisen in several cases, in the growth rates of the extractive and processing industries and in metallurgy and mechanical engineering. That required more investment in the extractive sectors and in industries generating electricity which, as a rule, are distinguished by great capital intensiveness and a low output-asset ratio. This was bound to have an adverse effect on the efficiency of expenditure of materialised labour in the economy as a whole, but was an obvious economic necessity.

The construction of new enterprises has acquired a wide scale in CMEA states. But a certain period is necessary in order to exploit fully the production capacity of these enterprises. It is true that they often infringe upon the time limit set for exploiting new production capacity, as a result of which the commissioning of new enterprises often has an adverse effect on the dynamics of the output-asset ratio for a protracted time.

It would, however, be wrong to explain the unfavourable tendencies in the output-asset ratio exclusively by the misuse of basic production assets. The indicator of this ratio in the first half of the 1950s was not only influenced by changes in efficiency of assets actually employed, but also by the commissioning of assets that were either unused earlier or

were used less than fully. The last circumstance, although it meant a better use of production assets than existed in the country (including inactive), but was not connected with more efficient exploitation of existing assets. The very comparison of the dynamics of national income with the dynamics of the basic production assets is conditional and, on the basis of this comparison, it is difficult to judge any changes in the level of efficient use of assets since the dynamics of national income is a result of the sum total of production expenditure. The dynamics of the output-asset ratio, being only a single element determining the efficiency of social production as a whole, does not provide a complete picture of the dynamics of that efficiency, since in certain conditions a drop in the output-asset ratio may be covered by advantages received from reducing particular elements of output cost price.

Finally, a tendency towards a reduction in the output-asset ratio is manifest in the CMEA countries in circumstances of a rapid growth in the asset-to-worker ratio; that signifies a change in the correlation between expenditure of live and materialised labour in favour of the latter and it causes a heightened action of that tendency. At the same time, in cases where the number of employed diminishes or where the rate of growth falls, a certain proportion of the growth in basic production assets is used for compensating for this loss or fall in growth with consequent negative results for the dynamics of the output-asset ratio.

The trend towards a fall in the efficient use of production assets and towards a reduction in the effectiveness of capital investment are serious dangers, although in evaluating the causes of this tendency one must remember that its individual manifestations are largely inevitable, and others may be avoided. Economists of the CMEA countries are faced by the task of finding the most expedient ways of more extensively moving to a non-capital-intensive type of technological progress.

Better use of raw materials, fuel and power is also a major problem in improving the efficiency of social labour expenditure. In the economically advanced countries, more than half of the gross social fund of working time is spent on extended reproduction of raw materials and fuel. A more economic use of circulating assets is an important way of improving the efficiency of social production. In effect, one cannot consider really highly productive work in which a large amount of output is produced per unit of working time but raw materials are used uneconomically. Mounting attention is being paid in the

CMEA states to a reduction in the use of raw materials and fuel. They are tackling the task of the all-round intensification of employment of fuel and raw material resources, increasing the value of output per unit of raw material expended.

Improvements to the branch and intra-sectoral structure of the economy and the introduction of sophisticated techniques and technology have enabled the CMEA countries to resolve many important problems in enhancing the efficient use of raw materials and fuel. In the 1963-1967 period alone, for example, the specific expenditure of fuel per unit of generated electricity from power stations included in the industrial grid fell in Bulgaria by 12 per cent, Czechoslovakia—13 per cent, the GDR—17 per cent, Hungary—8 per cent, Poland—9 per cent and the USSR—13 per cent. All the same, despite the considerable successes of the CMEA countries in reducing expenditure of raw materials, a comparison with advanced production indicators testifies to the still great unused potential for saving in this area. It is possible to manufacture more plant and machinery from the present stocks of iron and steel, to generate more electricity from existing coal stocks, etc. The extent of metal used in mechanical engineering may, therefore, be increased with the introduction of advanced technology no less than by one-quarter. The introduction of new equipment and technological methods is destined to play a big part in increasing the rational use of raw materials and fuel; they will enable the CMEA member countries more rationally to employ objects of labour, increase the quality of raw materials, transfer to new forms of fuel and raw material resources, especially the use of synthetic substitutes.

Thus, despite certain positive tendencies in the qualitative indicators, the CMEA countries are faced by the task of stepping up the campaign to improve economic efficiency. Today more than ever the rate of growth of social production depends on the rate of growth of economic efficiency. An increase in output of any product which is not accompanied by a saving on manpower and materials and by a qualitative improvement in that product cannot essentially conform to the interests of a rapid development of the socialist economy.

Rapid scientific and technological progress in the CMEA countries, improvement in the economic mechanism of socialist economic management and an extension of economic co-operation between these states have enabled them to create firm foundations for a further rapid growth both of social production and of living standards, and for improving economic

balance. For these purposes, the Communist and Workers' Parties in the CMEA countries are mobilising the efforts of their people to comprehensively improving the use of all resources in developing social production.

The increasing of economic efficiency is essentially an international task of all fraternal states. Its resolution will greatly be helped by the measures outlined and already being implemented to bring the socialist economies even closer. Economic co-operation among the socialist states is becoming an increasingly important factor in improving the employment of labour and material resources.

In achieving a more complete realisation of the advantages of the socialist mode of production, the peoples of the socialist states are fulfilling Lenin's behests in building the new society.

Lenin's forecast that socialism will accelerate the world process of economic internationalisation is becoming reality in the world socialist system. Lenin laid the foundation for a really scientific theory of the economic consolidation of peoples setting out to build socialism; he defined the main and decisive features of the integrational processes of the future, stated the obstacles and difficulties in the way of economic unity and showed a principled approach for dealing with them.

Lenin saw this growing economic unity as an urgent historical necessity and a natural feature of the new mode of production on an international scale. Soon after the revolution, he wrote that "the whole of society must become a single workers' co-operative.... Now all we need is a single will to enter with an open heart that single world co-operative".¹ His idea of world socialism being established and developing was based on prospects for a firm alliance between socialist states, on the need for increasingly more solid links between them in all spheres and on the growing community of interests between them, not on the prospect of an isolated existence of individual socialist states. He said: "I am profoundly convinced that more and more diverse federations of free nations will group themselves around revolutionary Russia. This federation is invincible and will grow quite freely, without the help of lies or bayonets."²

The present stage of the world socialist system is witnessing a strong trend towards economic unity of the socialist states and their economic consolidation. Although reproduction of the social product is taking place mainly within national boundaries

and although internal resources are predominantly the sources for extended reproduction in each country and that it is largely within the bounds of national economies that certain vital proportions are ensured for extended reproduction (between production, accumulation and consumption, for example), nonetheless, the process of reproduction in each country is gradually losing its relatively closed character. That is not a consequence of some subjectively determined economic policy; it is an objective need of social development, an expression of the progressive trend in the internationalisation of the socialist mode of production, of the expansion in scope of socialised labour which transcends national boundaries.

The trend towards socialisation of production on an international scale, caused by the modern level of the productive forces, serves to increase the effectiveness of production and the productivity of social labour. By contrast to capitalism, this trend occurs under socialism not as subordination and enslavement of one country by another, but as friendly and equal co-operation. Production internationalisation along the lines of mutually advantageous co-operation and fraternal assistance is one of the major advantages of the world socialist economic system. How successful this process is, therefore, greatly depends on the economic consolidation of each socialist country and the overall strength of the whole socialist world. In the Main Document published by the International Meeting of Communist and Workers' Parties *Tasks at the Present Stage of the Struggle Against Imperialism and United Action of Communist and Workers' Parties and All Anti-Imperialist Forces* the Parties stressed that it is necessary that "on the basis of the socialist countries' fundamental interests and aims and of the Marxist-Leninist principles underlying their policy, the socialist system should place greater reliance on the international socialist division of labour and voluntary co-operation between them, which rules out any infringement of national interests, and ensures the advance of each country and consolidates the might of the world socialist system as a whole".³

If one attempts, even sketchily, to express the essence of the two aspects of economic internationalisation in the socialist world, one has the following: an internationalisation of productive forces and of relations of production (in the sense of the formation and promotion of international relations of

¹ V. I. Lenin, *Collected Works*, Vol. 28, p. 333.

² *Ibid.*, Vol. 26, p. 481.

³ *International Meeting of Communist and Workers' Parties, Moscow 1969*, p. 23.

production of a socialist type). It is clear that the first aspect means increasing conversion of national natural proportions of reproduction into elements of larger international proportions on the basis of a more far-reaching international division of labour. The second aspect means greater co-operation between fraternal peoples on the basis of mutual benefit and internationalist mutual assistance, their joint efforts in production development which are to lead historically to the overcoming of national-state forms of the process of creating value and removing national-state boundaries of its redistribution. To evaluate the present-day state and prospects for co-operation between socialist countries, one must correctly establish the extent of maturity of conditions for these two aspects of the economic internationalisation process to develop from a lower to a higher stage.

Productive forces are gradually acquiring an international character. At the present stage of the world socialist system, however, the productive forces, even those that have outgrown the boundaries of individual countries, remain national-state forces according to the social form of their use. The international socialist production relations, forming in the process, are precisely inter-state, not extra-state relations. Being essentially relations between citizens of different socialist states, they manifest themselves as relations between these sovereign states on the subject of exchange of activity in the spirit of equal co-operation, mutual assistance and mutual benefit.

Under the present circumstances, the national-state framework of socialist ownership has not outlived its usefulness and even, to a certain extent, serves today to stimulate production activity by virtue of the so-called self-sustained status of individual states. The levels of productive forces have not yet grown to a degree that would make these bounds of ownership an obstacle in the way of further development. The emerging partial conflicts between the socialisation of production that transcends the bounds of individual states and the national-state isolation of ownership of the means of production may be resolved and are being resolved quite successfully with the aid of various forms of economic co-operation between states that are sovereign owners of the means of production. Today, therefore, there are requisite conditions within the world socialist economy for internationalising the productive forces with national-state ownership being predominant.

It would obviously be wrong to put a brake on the internationalisation of productive forces and the formation of

international reproductive proportions by referring, though quite justifiably, to the absence of sufficient prerequisites for overcoming national-state ownership of the means of production and formation on a wide scale of international socialist ownership. At the same time, one must bear in mind that the trend towards production internationalisation is certainly not yet a trend towards a complete elimination of the isolation of national economies and the developing of all basic economic proportions into international ones. It is also evident that one cannot artificially speed up the pace of overcoming national-state ownership on a wide scale because disregard for the degree of maturity of objective conditions can only lead to difficulties and contradictions whose resolution would only be made possible, to a certain extent, by a return to the initial situation. None of that, of course, obviates the need for extending economic co-operation of the socialist countries; but it does engender specific demands on the forms of that co-operation and, to a certain extent, it complicates it because of the need to take special account of the harmonious combination of interests of countries with different levels of productive forces' development that do not always coincide on individual specific issues.

The problems of world socialist economic development, which result from the status of individual countries as sovereign owners of the means of production, given the growing interrelationship and interdependence of the processes of reproduction taking place in these countries, are resolved as economic co-operation of the fraternal countries is extended and improved by harmoniously combining national and international interests. The ways to resolve such problems corresponding both to the national interests of each country and to the overall interests of the socialist community presuppose, first, that a more balanced economic development and greater economic efficiency in each country should not be detrimental to economic advance in other states. Second, the fraternal level to strengthen the world socialist economy, satisfy the needs of fraternal countries and the interests of economic consolidation of the socialist community. Given close economic co-ordination in the socialist states, they will find it quite possible to even out the comparative advantages and disadvantages with which the participation of each country is associated in such a complicated endeavour as a revision of proportions in order to obtain an optimum structure within the framework of

the entire world socialist economy, and to attain the best possible effect.

The essence of internationalisation of productive forces is today above all in the internationalisation of the conditions for improving production. Thus, a further concentration of production often presupposes an increasing supplementing of the intra-state division of labour by an international division of labour; technical progress in each country increasingly requires the application of the attainments of world science and technology, and so on. This trend is leading to an even greater interrelationship between the processes of extended reproduction in the socialist states, but it does not yet cause their merger into a single process of reproduction.

It is too early to speak about a single process of extended reproduction within the world socialist economy. These processes are under way in a relatively independent manner within individual states.

This independence is manifest particularly in the fact that the means of production and results of production in each country are a national achievement. Countries exchange products and services on the principle of repaying each country the costs on a scale which is recognised as socially necessary internationally. This is explained objectively by the existing national-state boundaries of the socialisation of the means of production within the world socialist economy.

This is only one, although the most important, expression of the independence of the processes of reproduction in each country. This independence is also manifest in the specific nature of the national-state framework of natural economic proportions, which do not directly express the value aspect of reproduction.

The isolation within the national-state framework, however, of the processes of distribution of concrete labour is less stable than the isolation of the processes of distribution of abstract labour. Part of the physical proportions are already losing their national-state isolation. As economic co-operation of the socialist states develops, there arise an international interrelationship and interdependence of many intra-state physical proportions; the international economic proportions form on that basis. Of course, the existence of ownership of the means of production by individual states is bound to have a considerable effect on the formation of these proportions. The international physical proportions of reproduction are formed under the great influence, for example, of the need for a stable

balance of payments in each country. It is true that such forms of co-operation between the socialist states as loans and credits and the system of multilateral accounts can substantially widen the opportunities for forming the rational international physical proportions of reproduction and weaken the influence of factors that emanate from the national-state ownership of the means of production.

One can talk of a single international process of extended socialist reproduction only when all states maintain directly, throughout the entire world socialist economy (or, initially, on the scale of a group of countries), the necessary proportions for extended reproduction between different elements of the aggregate social product, both in natural form and in value. This can only be achieved completely by overcoming national-state isolation of ownership of the means of production and the result of labour, i.e., in the long term, as a result of a lengthy historical development which will lead to integration of national economies and the establishment of uniform ownership throughout the world socialist economy.

Despite the existing difficulties, the process of economic consolidation of the socialist states has advanced a long way. Economic co-operation between the CMEA countries is steadily developing. Valuable experience is being accumulated in combining efforts to tackle vital economic problems. The socialist countries are enriching and improving the forms of co-operation so that it fully corresponds to the growing economic requirements of the fraternal countries.

The main directions of that work were agreed upon at the 23rd (Special) Session of CMEA in April 1969 in which Party and Government leaders from member countries took part. The Session adopted a scientifically substantiated plan of economic co-operation for the long term. On its basis, they worked out a long-term programme for extending the international socialist division of labour in production, scientific and technological progress, in the sphere of services, improving joint planning activity, and wider application of money-commodity instruments. They also paved the way for a comprehensive elaboration of the issues of co-operation which cover research and development preparatory to production, production itself, the circulation processes, including credit facilities to aid commodity circulation. They therefore made it possible more successfully to tackle tasks that arise in connection with ensuring a really mutually complementary nature of national economies, for creating a close link between them while observing optimum

proportions in the economy of each country and for all the CMEA countries taken together, for the purpose of a maximum increase in the economic efficiency of social production.

The 1969 International Meeting of Communist and Workers' Parties noted that the socialist states were continuing to promote economic co-operation in that area just as in the sphere of economic development of individual states; they were putting the emphasis on quality, on greater efficiency of social production and economic ties. "This task," L. I. Brezhnev said, "is served by the economic reforms being carried out in the European socialist countries. The same aim is pursued by the comprehensive long-term programme of further socialist integration, whose main lines were defined at a special CMEA session held recently in Moscow."¹

The 24th CMEA Session in May 1970 analysed progress in carrying out the resolutions of the previous session on drawing up a comprehensive programme for improving co-operation and developing socialist economic integration. On hearing the Executive Committee report, the Session noted that considerable work had been done by CMEA working groups and bodies in preparing the comprehensive programme. The Session recommended member states and empowered the Executive Committee to undertake measures for completing that work successfully. At the same time, the Session recognised the need to pay particular attention in the near future to specific issues of co-operation in material production. Thus, the work in compiling the long-term comprehensive programme of socialist economic integration of CMEA countries is closely connected with the tackling of specific issues of economic co-operation which may be resolved in the short term.

The 25th CMEA Session that took place in July 1971 adopted, in accordance with the decisions of the 23rd (Special) CMEA Session, the *Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries*. The Programme defines the aims, the principal directions and basic tasks of further consolidation and interlinking of the economies of member states. It was dictated by the general desire of CMEA countries more closely to combine efforts for resolving important social and economic problems in each co-operating state, for a comprehensive increase in economic

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p. 145.

efficiency and for attaining the highest scientific and technological standard and for improving public welfare. The Programme reinforces and develops the tried and tested principles of international relations of the new, socialist type: socialist internationalism, respect for state sovereignty, for independence and national interests, non-interference in the internal affairs of states, complete equality and voluntary activity, mutual benefit and comradely mutual assistance.

The Programme formulates the methodological basis and major directions for utilising various forms of international economic co-operation and, above all, the international division of labour so as to increase to the maximum the economic efficiency of social production in the CMEA countries. It envisages the creation of necessary conditions so that economic co-operation should develop with the greatest effect for each member state. These conditions are, principally, as follows:

- (1) greater co-operation in planning activity and a stronger planned nature of economic ties;
- (2) better organisational forms and legal grounds for co-operation in production, science and technology and trade;
- (3) wider, more efficient and flexible use of money-commodity relations in all spheres of international economic co-operation.

Due to the comprehensive approach to problems of co-operation, the integration programme takes into consideration all the major factors which affect international economic relations—from a guarantee of the purposive and planned nature of international production proportions to the use of cost levers that stimulate the precise implementation of obligations which each CMEA country takes upon itself, improvement of qualitative indicators of production, etc. Meanwhile, the programme is consistently based on the leading role of planning in co-operation, on the recognition of various joint planning activity as the main method of co-operation. This completely corresponds to the essence of the socialist economic system and enables CMEA countries more widely to use its advantages internationally.

That the Comprehensive Programme will be realised is also ensured by such measures as the creation of new *ad hoc* collective bodies for co-operation, especially the CMEA Committee for Co-operation in Planning and the CMEA Committee for Scientific and Technical Co-operation, expansion of the activity of the two CMEA international banks (the International Bank of Economic Co-operation and the International In-

vestment Bank), the creation of inter-state economic organisations and international economic organisations and associations. The more the various points of the integration programme on the basic directions of co-operation are put to practice, the wider the field of joint action aimed at improving the efficiency of national economies, and the more effective will be the results of these actions.

The integration programme envisages more effective co-operation in all spheres: in industry and agriculture, construction, transport and communications, science and technology, foreign trade, international credit and currency relations, and various international services. At the same time, CMEA countries firmly believe that the focal point of their integration is material production (in contrast to the primacy of the market in capitalist integration), timely study of various versions of international specialisation and co-operation, a deliberate and well-founded choice of the most rational version with account for the sum total of economic tasks and interests. This choice is made on the basis of many criteria: current economic efficiency, long-term and global interests of the socialist fraternity, such as its steady consolidation and the levelling-up of economic standards in the socialist countries.

Finally, the member states believe, as is made clear in the Comprehensive Programme, that a major condition for improving the efficiency of international economic co-operation is a comprehensive approach to reproduction and its various stages. An analysis of accumulated experience shows that issues of international specialisation and co-operation of production, co-operation in science and technology and in the sphere of circulation (for example, improving price formation in the world socialist market, issues associated with delivery conditions) may be resolved with maximum economic efficiency only if they are examined with account for their close interconnection and interdependence, rather than in an isolated way. Thus, over the long term, economic co-operation will increasingly be made up of joint comprehensive measures that embrace the entire cycle—research and development preparatory to production and capital construction—production itself—trade (including agreement on commodity prices)—services connected with production or personal consumption of exported commodities in another country (repair, etc.) in individual sectors of production or types of goods, rather than from the multiplicity of relatively isolated acts of a production and foreign trade character.

In a speech to the 7th Congress of the Socialist Unity Party of Germany, L. I. Brezhnev called socialist economic integration a central link in the development of world socialism. The following important law of world socialist economic development is becoming increasingly manifest today: economic progress in each socialist country is increasingly dependent upon progress in bringing together the socialist countries economically. Greater agreement on economic progress between socialist countries and their joint action in production, science and technology opens up before them new and great opportunities for attaining their economic goals in the shortest possible time and with the least expenditure of effort and resources.

Integration is an exceptionally important step forward in the formation and utilisation of planned co-operation of labour; it is a new and powerful factor of economic development in each socialist country and the whole economy of world socialism overall. The promotion of socialist economic integration is practical proof of irreversible progress in establishing and strengthening the world socialist economy. The promotion of integration in the socialist world shows that global progressive trends in world productive forces which require the economic consolidation of ever larger territories and the unification of greater economic potentials are being placed, on an increasingly wide scale, at the service of socialism. At the same time, integration testifies to the development and improvement of international socialist production relations and the emergence of new opportunities and advantages.

Socialist integration acts today as the most important link in the historical process of discovering and promoting the international nature of the objective laws of the socialist mode of production, as the path to a fuller and more consistent use of these laws both in mutual economic ties between socialist states and in each individual national economy.

Integration is particularly helpful in tackling the entire complex of problems in strengthening the unity and cohesion of the socialist countries in both economics and politics.

The experience of implementing integration within the CMEA group of socialist countries is a principal and decisive aspect of the collective experience accumulated by the socialist countries in developing the world socialist economy as a whole. Promotion of economic integration on the scale of this group of countries is not simply a special feature of the contemporary stage of their mutual co-operation. It is a practical testing of the

ways and means of realising the general law of development of the world socialist economy, which is bound to interest the non-CMEA socialist countries. Many of these countries, of course, are co-operating in one form or another with CMEA. Some of them regularly send observers to the meetings of various CMEA bodies. Yugoslavia has an agreement with the CMEA countries on participation in the work of several CMEA bodies. Non-CMEA countries are displaying increasing interest in extending co-operation both with individual CMEA countries and with CMEA itself as a collective organ. The 26th CMEA Session in July 1972 examined Cuba's membership application. The Session unanimously approved the Cuban application.

Prerequisites will gradually mature for expanding the field of practical realisation of economic trends towards ever greater consolidation of the world socialist economy; the need for all socialist countries to unify their economic efforts will increase and CMEA experience will play an immense part in promoting economic co-operation among them.

The influence on the whole world development increases with every passing year of the progressive trends under way in the socialist community, particularly those which strengthen economic relations between socialist states. Socialist integration, by multiplying the possibilities for economic advance, acts thereby as a powerful factor in boosting world productive forces. It is particularly important to emphasise that integration is to play a great part in qualitative economic improvement in these countries, expressed in greater efficiency and significance for intensive factors in extended socialist reproduction. Integration will therefore serve more fully to demonstrate in practice the advantages of the socialist mode of production. In the years to come, the part played by integration will rapidly increase in consolidating the economic basis of world socialism, and in ensuring the triumph of socialism over capitalism in the economic competition between the two opposing social systems.

The international importance of socialist integration, however, is far-reaching. It is one aspect of the world revolutionary process as a whole, which consists of the efforts of the peoples in the socialist community to build socialism and communism, the struggle of the working class and all working people against monopoly oppression and capitalist exploitation in general, the fight of the young national states, the dependencies and colonies to achieve or consolidate their national independence and against imperialist tyranny. Being one of the most impor-

tant and efficient factors strengthening the socialist community, socialist integration simultaneously also increasingly affects and will continue to affect positively the positions of other major revolutionary forces of the present day. It is destined to play an important role in the revolutionary processes in the capitalist world, in directly helping to aggravate the general crisis of capitalism, expanding the possibilities of social and national liberation transformations and enhancing their power of attraction to the masses.

Socialist integration above all expresses improvement of the ways and means of economic co-operation of the socialist countries and an improvement in its efficiency; it is becoming yet another new factor in the revolutionising impact of socialism on the rest of the world—an example of equal and mutually beneficial economic ties among the peoples, an example of their close co-operation and mutual assistance. Socialist integration provides the world with a model for resolving very complex international economic problems, including those connected with the need to eliminate the deep-going divergences in levels of development between countries and bringing backward countries up to the level of the advanced—all this in the interests of the working people. Socialist integration is today serving as a vivid example of the practical implementation of Marxist-Leninist ideas of a commonwealth of free nations, of the harmonious combination of national interests and of the joint efforts of various countries to achieve an overall economic advance.

The processes of socialist integration leading to better economic collaboration among socialist countries and guaranteeing greater efficiency for all states involved will result in a further growth in the attractive power of socialist principles of international economic relations and, thereby, of the socialist social system in general for the peoples of the capitalist part of the world. The organisational and economic-political basis will grow stronger and the scale of joint measures by socialist countries will grow greatly in applying concerted efforts to tackling vital problems of improving their national economies, implementing the scientific and technological revolution and intensifying economic growth.

It would be wrong to consider that the example of the socialist countries in promoting a new type of international economic relations is important only for the economically backward part of the capitalist world. The example of the socialist countries contains a genuinely democratic alternative to capitalist

integration for the group of industrially advanced capitalist countries, too. Integration in that sector of the capitalist world economy is subordinate to the interests of reproducing the capital of the largest international monopolies, is used by the monopolists for encroaching further upon the social rights and living standards of the working people, it ignores the multiplicity of economic and social problems and needs of individual countries and tramples upon their national interests. The international communist movement counterposes to integration on a monopolist basis a programme for confining the power of monopoly capital and stamping out tendencies dangerous for the cause of peace, which are engendered by closed economic and political groupings and are used by imperialist circles for consolidating military-political blocs. The democratic alternative put forward by Communist and Workers' Parties in the capitalist countries is backed up by the foreign policy of the socialist countries which demonstrate their readiness for the widest international economic co-operation on the basis of mutual benefit and equality of all sides; conviction of this alternative is being strengthened by the example of socialist integration.

Socialist economic integration is not a result of some subjectively chosen policy of the socialist states. It is neither a "challenge to the West" nor a reaction to the Common Market and the furtherance of other integrational trends in the group of capitalist industrial states. Integration in the socialist world is a manifestation of the laws of its development, the practical realisation of the possibilities and requirements for a more mature socialist economy. The effect that the strengthening economic co-operation of the socialist states, the growing process of socialist integration have on world economic relations and political changes in the capitalist world both in its objective content and in the subjective motives of foreign policy of the socialist states is not directed against any country in particular, or group of countries in the capitalist world, and does not have any negative effect on the world market and the world economy in general; it does not disorganise them. On the contrary, this influence helps to develop international economic ties, to a certain extent consolidates the international market and serves to ensure the genuine national interests of all states and the consolidation of peace.

For the first time in history, a systematic mutual co-ordination of major economic proportions of individual countries is taking place; on those proportions depend both quantitative and qualitative indicators of production develop-

ment. The national plans for economic development are increasingly being compiled in close connection with the basic directions of the international socialist division of labour. Co-ordination of plans through bilateral and multilateral ties enables the states more fully to consider the economic requirements in each CMEA country and to concentrate efforts on joint resolution of key problems.

Work in co-ordinating the plans of CMEA countries is constantly being improved. The states are switching from an agreement on individual, mainly quantitative indicators of growth in major sectors to joint elaboration and mutual co-ordination of a number of important economic proportions. As well as the assurance of agreed commodity deliveries and their mutual tying-in in the process of co-ordinating plans, more and more attention is directly being paid to production. The task of guaranteeing a more balanced economic development in each member state and within the framework of CMEA as a whole is more and more consistently being tackled by co-ordinating the allocation of productive forces and achieving, on that basis, a higher economic efficiency of production. The joint planning activity of the CMEA countries is aimed at uncovering reserves for accelerating production, for the maximum use of the advantages of international economic co-operation, especially the division of labour between these countries.

Co-ordination work has been considerably improved. Co-ordination is done while national plans are being compiled and before work is culminated on them and they are confirmed. According to CMEA resolutions, member states held mutual consultations at the early stages of compiling draft plans for 1966-1970, with a preliminary determination of main directions of economic development of the national economies as a whole and for the most important sectors. Recommendations are worked out on a wide range of questions of great economic importance to CMEA countries, as well as work to co-ordinate plans and analysis of problems during this work which crop up in the course of co-operation.

These recommendations are intended primarily more fully to ensure the satisfaction of the requirements of CMEA countries for various types of raw materials, fuel and other materials, plant and equipment. They encourage the introduction of new schemes, new process charts, and so on. Attention is being paid by CMEA bodies to greater international specialisation and co-operation of production in engineering, chemical and other industries. Recommendations are being made in standardising

and raising the quality of mutually delivered output. CMEA bodies help to promote trade between member countries and their scientific and technological co-operation. Analytical work in methodology and statistics occupies an important place in their activity. CMEA bodies include scientific and research establishments, such as the CMEA Institute on Standardisation and the International Institute of Economic Problems of the World Socialist System which was set up by a decision of the 24th CMEA Session in May 1970. The latter's task includes a far-reaching theoretical, methodological and applied elaboration of economic problems associated with economic integration.

The basis is gradually being laid for a wide system of international specialisation and co-operation of production. More detailed specialisation and co-operation of production over the CMEA area enable countries to increase the volume of production, reduce its costs and improve its quality. The initial experience accumulated by member countries in that sphere convincingly testifies to the fact that the international socialist division of labour brings a great economic effect both for each participating state and for the world socialist system as a whole. The member countries use joint efforts to outline and implement the ways of resolving many important problems for accelerating major industries and more fully satisfying the needs of each country for the products of these industries.

The first steps have been made also in co-ordinating capital investment in items that are of mutual interest to CMEA countries; they are gradually gathering experience in co-ordinating capital construction plans. In 1962, for example, the member states exchanged lists of major projects whose construction was outlined for 1964-1965. These lists included a total of 270 projects. At a result of mutual studying of the capital construction plans, member countries showed an interest in international co-ordination for building 162 projects. They worked out a possibility for avoiding unnecessary parallel work in constructing identical enterprises, increasing the capacity of enterprises marked down for construction on the basis of international specialisation, and also the possibility of satisfying the demand of individual countries for a certain output by means of a fuller employment of enterprises that already existed in other countries, rather than by building new enterprises.

The agreement on capital investment for 1964-1965 was, in fact, made largely on an isolated basis, without co-ordinating other parts of economic plans. Not all the conclusions made during this work could have been immediately employed in

practice, because that demanded a fairly serious revision of the plans of individual states. Accumulation of experience in co-ordinating basic capital investment in CMEA countries in the extractive and processing industries was continued in the periods 1966-1970 and 1971-1975. The states interested in resolving specific sectoral problems took steps in creating production and technological sector associations, co-ordinating the use of production capacities and their further extension.

The Comprehensive Programme envisages that co-ordination of capital investment in individual projects, that are of mutual interest and in which considerable concentration of resources are necessary for resolving technological and economic tasks, would also be implemented during the process of co-ordinating the plans. The aim of that co-ordination is to create optimum production capacities for a fuller satisfaction of the requirements of interested countries and for ensuring stable mutual foreign trade relations over a long term. The member countries will use forms of economic and scientific-technical co-operation which will stimulate construction by joint effort of enterprises to produce goods in short supply.

A certain part in resolving fuel and raw material problems is being played by the credit facilities arranged by countries interested in receiving fuel and raw materials, in creating enterprises of these capital-intensive sectors by countries which have the relevant natural resources. Special-purpose credits of fraternal countries earmarked for increasing the extracting of types of raw material in short supply already have been important for resolving the raw material problem. Thus, with credit facilities from Czechoslovakia, the extraction of natural sulphur and copper in Poland and the potassium salts in the German Democratic Republic have been increased. Credit assistance from the GDR, Poland and Czechoslovakia has enabled Rumania to build in the Danube delta a plant for producing cellulose from rushes. Creditor-countries receive these raw materials both as part of the credit deal and as normal trade.

The world socialist market has been considerably consolidated and now plays an ever increasing role in economic development of the fraternal countries. Growth in trade among CMEA countries testifies to the extension of economic relations between them and to the development of a new, socialist international division of labour. This growth exceeds the growth rate of foreign trade of the capitalist countries. The foreign trade of CMEA countries is rapidly expanding on the

basis of an all-round economic upsurge. In 1970, the volume of trade exchanges, which accounted for over 60 per cent of the entire foreign trade of CMEA countries, amounted to more than 33,000 million rubles and exceeded the 1950 level by more than 7 times. Bulgarian foreign trade with CMEA countries increased, between 1960 and 1970, 2.9 times, Czechoslovak—2, GDR—2.1, Hungarian—2.6, Polish—2.8, Rumanian—2 and Soviet—2.3 times.

The volume of trade between some CMEA countries approximately corresponds to that between the largest capitalist countries or even surpasses it. Already by 1967, for example, trade between the Soviet Union and the German Democratic Republic was almost double that between Britain and the Federal Republic of Germany; Soviet-Czechoslovak trade in that year was approximately equal to that between the USA and France or more than 1.5 times greater than that between Britain and France. The average annual rate of increase of foreign trade of CMEA countries comprised 10.4 per cent in the period 1951-1970, while that of all capitalist countries increased only by 8.2 per cent, and the foreign trade of the industrially advanced capitalist countries increased by 8.9 per cent. The share of CMEA countries in world trade increased from 6.5 per cent in 1950 to 9.7 per cent in 1970.

However, the growth rate of foreign trade between CMEA countries does not yet correspond to their possibilities for expanding external economic relations, especially through extending specialisation and co-operation of production. The growth rate of foreign trade of the CMEA countries virtually coincides with that of their industrial output, while many capitalist countries have a faster growth rate for foreign trade. In the period 1961-1970, mutual trade between CMEA countries expanded approximately on the same scale as did the aggregate output of their industry. The mutual trade of Common Market countries increased twice as fast in the same period as their industrial production. A tendency appeared in the 1960s for a cut-back in the growth, and even a slight reduction, in the share of the CMEA countries in world trade. A gradual realisation of the Comprehensive Programme of socialist economic integration is enabling the CMEA countries to accelerate their economic co-operation and their foreign trade ties.

The commodity structure of CMEA countries' foreign trade is being improved. The share of plant and equipment in their exports (within the framework of trade exchanges) grew from

22 per cent in 1950 to 40 per cent in 1972. In fuel exports, the share of oil, petroleum products, electricity and natural gas is increasing, while that of coal is decreasing.

Export and import operations within the bounds of mutual trade are being more closely co-ordinated with the need to expand production, improve its sectoral pattern and economic efficiency. The agreed mutual deliveries of commodities, through increasing international socialist division of labour, are vital to the success of the economic plans of each CMEA country.

Through their mutual trade, CMEA countries themselves largely satisfy their needs for imports and for disposing of their export resources. This applies not only to coal, oil, iron ore, cotton and other raw materials. In the preceding five-year period, the socialist countries satisfied over 95 per cent of their needs for plant and equipment through their own production and mutual exchange.

The Comprehensive Programme envisages that CMEA member countries shall take measures closer to co-ordinate their five-year national economic development plans with their long-term trade agreements, drawn up with due consideration for the consensus of opinion reached during the co-ordination of national economic plans.

For that purpose the CMEA member countries shall: stipulate the basic reciprocal commodity deliveries for the whole period covered by long-term agreements, in the agreements themselves as well as in the five-year economic development plans of the countries concerned;

carry out measures to enable the exporters and importers opportunely to conclude long-term contracts for the sale of contingents of commodities to be delivered in accordance with the long-term trade agreements;

expand the practice of concluding long-term contracts prior to the signing of long-term trade agreements and yearly protocols on the trade turnover, a practice facilitating the conduct of trade negotiations and hastening the signing of long-term trade agreements.

The CMEA member countries shall build up additional capacities for the production of export commodities within the framework of the international socialist division of labour and increase the production of commodities to attain a fuller satisfaction of the requirements of the socialist market, taking into account that the expansion of the trade turnover and the improvement of its forms depend on the development of

material production, co-operation in the commodity exchange, and the improvement of the monetary-financial relations between the CMEA member countries. This will create prerequisites for the balancing of the foreign trade of every one of the CMEA member countries with that of all the other CMEA member-countries on a multilateral basis.

The CMEA countries will in future differentiate reciprocally delivered commodities into the following groups:

- (a) main kinds of commodities for which long-term trade agreements and yearly protocols establish fixed quotas in terms of quantity, and for which other important delivery terms are established by agreement;
- (b) groups of commodities or commodities for which long-term trade agreements and yearly protocols establish quotas only in terms of value, while the concrete nomenclature is agreed upon between buyer and seller;
- (c) commodities for which no quotas are fixed.

In promoting foreign trade and the international socialist division of labour, the CMEA countries signed in October 1963 an agreement to set up the International Bank of Economic Co-operation (IBEC) and on the transfer, after January 1, 1964, to a system of multilateral settlements and the crediting of mutual trade in transferable rubles—the collective currency of the socialist countries. With account for the operation of this system, the CMEA countries are having multilateral trade talks as well as bilateral negotiations for concluding yearly protocols on reciprocal commodity deliveries. A number of important advantages of the multilateral settlements for all types of commercial and non-commercial payments have already appeared; this is in contrast to the earlier system of bilateral settlements. Multilateral settlements make it possible for each IBEC member to have a balanced budget with all other member countries, to reduce the credit needs of countries and to ensure rapid and uninterrupted settlements.

It is envisaged that, with the consent of all members of the Bank, other countries may join the agreement on multilateral settlements if they share its aims and principles and undertake commitments according to the agreement and the Bank's Rules. With agreement among interested countries, the IBEC can conduct transactions with non-members using the transferable ruble. By decision of the IBEC Council, the Bank can also offer credits to countries when they make settlements on overall trade with IBEC members. The Bank is already carrying out various operations in a freely convertible currency.

To promote these operations, in 1966 the Bank converted part of its capital into gold and freely convertible currency. The Bank presents its members with credits in that currency on more advantageous terms than those in world money markets.

Scientific and technological co-operation is also being extended among CMEA countries. It embraces both the exchange of information and the co-ordination of research, division of labour in promoting scientific progress with subsequent exchange of results, joint research, etc. The overall plan for co-ordinating major research undertaken by CMEA countries in 1966-1970 included over 50 key problems and some 200 themes. With account for the long-term sectoral plans for co-ordinating research in that five-year plan, however, the CMEA Standing Commission for Co-ordinating Scientific and Technological Research and the various sectoral standing commissions co-ordinated work on more than 700 themes.

As well as co-ordinating major research, CMEA bodies engage in many other forms of scientific co-operation. For example, the CMEA Standing Commission on Electric Power regularly organises an exchange of experience among specialists, holds meetings on specific issues with visits by participants to relevant power objects. The CMEA Standing Commission on the Chemical Industry organises the work of international teams of experts from the CMEA countries. In 1968, for example, an international team of experts was working on producing polystyrol; it provided a comparative evaluation of the state of various types of production and prepared proposals for improving their techno-economic indicators.

Co-operation is under way in research and development organisations; interested parties are creating joint organisations for implementing research and development work. The 26th CMEA Session in July 1972 noted that member countries had formed 20 co-ordination centres, seven scientific co-ordination councils, two international scholarly bodies and one scientific production association. Among the new organisational forms of co-operation, co-ordination centres, in whose work over 500 research and design organisations take part, are most popular. Co-operation has expanded in scientific and technological forecasts, in co-ordinating scientific and technological research, in mutual exchange of scientific achievements and advanced experience. The CMEA Committee for Scientific and Technical Co-operation, set up at the 25th CMEA Session, is responsible for the solution of these issues.

Scientific and technological co-operation serves as an increasingly important instrument in implementing the current scientific and technological revolution in the economies of the CMEA countries. By more closely co-operating in science and technology, the member countries are increasing the efficiency of research and development work and reducing the periods for resolving complex scientific and technical problems.

CMEA countries have established several international economic organisations, such as the Central Distribution Board (CDB) of the United Power Grids (Mir), the Bureau for Co-ordinating Freight, the Freight Waggon Pool (FWP), the Organisation for Co-operation in the Iron and Steel Industry (Intermetal), the Organisation for Co-operation in the Ball-Bearing Industry (OCBI), etc. The CMEA countries are actively taking part in the work of international economic organisations in which other socialist countries also participate, such as the Organisation for Co-operation in Railways (OCR). These organisations help to promote the corresponding sectors of the economies of the socialist countries. For example, they are successfully using the Freight Waggon Pool of the CMEA countries which had, in 1964 (at the time of its establishment), 92,000 units (double-axle vehicles) and 180,000 units by the beginning of 1972. This enabled them to cut down empty runs by 15 to 16 per cent. In the preceding period, the pool was completely renewed, and empty runs have continued to be reduced.

The CMEA countries are gathering experience in using various organisational forms of joint production activity. These include agreement by national bodies of two or more countries on a production programme for certain manufactured goods or operations, or for a specific use of one or another economic project in a particular territory as the property, and under the exclusive control, of one particular country in order to satisfy the needs of another country or several other states.

A second important organisational form is *ad hoc* organisations of two or more countries for the regular co-ordination of production programmes of several enterprises or for the use of economic enterprises in different countries—with each enterprise remaining the property, and under the control, of the state on whose territory it is located.

In the first instance, we refer primarily to the participation of enterprises of different countries in concerted international specialisation and co-operation of production (without special international bodies for supervising and controlling specialisa-

tion and co-operation in each specific instance). In a similar way, they organise undertakings for exploiting fuel and raw material resources, created with the use of specific-purpose credits of another country and delivering to it part of the production in a prearranged way.

Economic enterprises located on the territory of two or more countries and separated by state boundaries into sectors that remain the property of individual countries operate in the same way (e. g., transport systems, the Druzhba oil pipeline, the gas pipelines between the USSR and Poland, and between Rumania and Hungary). Joint exploitation of these enterprises by the countries on whose territory they are located is ensured by the agreed activity of corresponding organisations of individual states, in association with specific national sectors of the given enterprise (as in the case of the use of international railways).

In the second instance, we refer to the varying degree of joint economic management by a number of countries in a specific sphere of production, while maintaining their national ownership over co-operating enterprises. This is the principle behind the work of such international production combines as Interkhim, Intermetal and the Organisation for Co-operation in the Ball-Bearing Industry. For the time being, the activity of these combines is basically one of co-ordination. This would cover the Central Distribution Board of the United Power Grids (Mir) in Prague that supervises the international redistribution of electrical power within the bounds agreed upon by participant-states, through international power transmission lines that remain the property of the country through whose territory they pass.

Third, there exists an organisational form of socialist economic co-operation where joint undertakings are created of two or more states which are located on the territory of one or several countries and are their common property. This form of co-operation has not yet become very widespread.

The joint Polish-Hungarian Haldex Company is an example of joint economic management based on joint control of an enterprise owned by two or more states. Haldex was set up by Hungary and Poland to process coal dump waste on Polish land and the extraction from it of coal and other materials useful in industry. Haldex enterprises are the common property of Poland and Hungary. In 1964, the company had a constant capital of 197 million zlotys and it was continuing to grow through new investment. Both countries equally provide

the capital and cover running costs of the company, and equally partake of the profits, distributing equally the extracted coal whose cost is roughly 40 per cent lower than that of coal extracted from deep Polish mines.

The rapid development of the productive forces and the work carried-out by the Communist and Workers' Parties of the CMEA member countries to improve economic management are producing new and growing requirements presented by national economies to international economic co-operation among the fraternal countries. The CMEA countries are gradually overcoming certain imbalance that had developed between opportunities and requirements of production development in these countries, on the one hand, and the degree of rational planning of their economic ties and forms of co-operation and its rate of expansion, on the other.

There is an obvious need to take account more fully and concretely of the specific characteristics of economic development of individual countries, more consistently to implement the principle of strict economic and political substantiation of any measures in international economic ties between CMEA member countries. It is now clear that the dependence of economic efficiency of production on the extent of economic co-operation among the socialist countries has grown. Without its expansion, we cannot resolve the paramount economic problems, such as the formation of optimum proportions between sectors, the optimisation of production capacities and an economically justified technological re-equipment of production, the setting-up of new and more progressive key sectors and lines of production, a massive renovation of the range of production structure, a balancing of manpower, etc.

The tried and tested basic principles of co-operation among countries of the world socialist system have been fully justified. The advantages of the new type of international economic relations have been demonstrated in the main, decisive spheres. The prearranged principles of mutual economic ties between socialist countries are the basis of co-operation in the future, too.

Today, however, these principles must be promoted and made more specific; new important decisions must be made and carried out. The CMEA countries set themselves the aim of raising co-operation to a qualitatively new stage, corresponding to the present level of the productive forces and improvement of the socialist mechanism of economic management. The necessary objective conditions exist to achieve this

and are to be found in the multisectoral economy in each country, the growing volume of production, the accumulated experience of co-operation, etc., and such subjective conditions as the awareness of fresh potential for co-operation and the readiness to take appropriate measures through joint effort.

The main task in economic co-operation today is comprehensively to improve economic efficiency. Economic ties among CMEA countries are intended even more to promote scientific and technological progress, improve economic balance and obtain higher productivity of social labour. The possibility is now growing and the need is becoming more insistent to subordinate economic co-operation to the tasks of improving economic efficiency. Co-operation must fully take into account the demands that emanate from the needs of the contemporary scientific and technological revolution. It must serve as a paramount factor in improving the sectoral and inter-sectoral economic structure of the fraternal countries, remove any shortages or imbalances, and reduce the costs per unit of production.

The problems of the quality of technology, length of life and other specifications of exchanged products, their conformity to the best world standards have also become vital to greater co-operation.

The economic reforms being carried out in many socialist countries are playing an important part in promoting economic co-operation and economic efficiency. Better ways and means of economic management are leading to a greater account of the possibilities for an international socialist division of labour and to a greater combination of the comprehensive development of national economies with international specialisation of production. A fuller and more consistent use of value factors in all economic activities makes it necessary to pay more attention to the questions of economic justification for international specialisation and co-operation of production and to the profitability of foreign trade transactions.

All of this will have a very favourable impact on the development and consolidation of economic ties among socialist countries. The efficiency of all forms of economic co-operation will increase through strengthening the material interest and responsibility of enterprises and organisations associated with foreign economic relations among socialist countries. A wider use of economic levers for ensuring the timely fulfilment of trade contracts will reinforce the stability of these ties.

A new and higher phase, a phase of socialist economic integration is beginning in the process of the internationalisation of CMEA countries' economy; this is evident in the measures for extending co-operation between these countries that have already been implemented and, in particular, are being worked out at present.

The Communist and Workers' Parties proceed from the assumption that the extension and improvement of economic, scientific and technological co-operation and the development of socialist economic integration is a process of the international socialist division of labour, the drawing closer of their economies and the formation of a modern, highly effective structure of national economies, the gradual drawing closer and evening out of their economic development levels, the formation of deep and stable links in the key branches of the economy, science and technology, the expansion and consolidation of the international market of these countries, and the improvement of money-commodity relations—this process, as emphasised in the Comprehensive Programme, being regulated by the Communist and Workers' Parties and the governments of the CMEA member countries purposefully and according to plan.

International economic integration in the world socialist system is a special phase of the internationalisation of economic life in which the national economies of sovereign socialist states become mutually dependent and complementary in a much more essential way. That is done in the spirit of the principles of socialist internationalism and on the basis of mutual advantage and assistance.

Economic integration in the socialist countries has three mutually connected aspects.

(1) A concerted and planned restructuring of their production pattern, the formation of stable and efficient production and other economic ties and the wider redistribution of production resources among countries on a mutually advantageous basis. In the course of integration, therefore, the countries gradually optimise their reproduction balance both within each country and within all co-operating countries, as applied to the conditions and potential of the entire economic complex of these countries.

(2) Integration means the creation and improvement of a sufficiently mature international apparatus of economic co-operation in which extensive use of different organisational forms (international organisations in various spheres

of activity) plays an essential part, as do legal contracting institutions, the formation of joint funds for finance and materials (in the form of international banks and funds, and also in the form of combined resources for establishing joint enterprises).

(3) Integration presupposes an active part played by domestic economic policy in helping to extend economic relations with fraternal socialist countries, a greater adaptation of internal economic mechanisms to the needs of international co-operation, serving the interests of each socialist country and the world socialist system as a whole.

The CMEA countries are working on the following major ways and means of further extending and improving economic, scientific and technological co-operation and developing socialist economic integration:

the conducting of multilateral and bilateral mutual consultations on basic issues of economic policy;

extending multilateral and bilateral co-operation in the planning activities, including co-operation in the field of forecasting, the co-ordination of five-year and long-term plans for the key branches of the economy and lines of production, joint planning by interested countries of certain agreed-upon sectors of industry and specific lines of production, and exchange of experience with a view to improving the systems of planning and economic management;

a systematic extension of international specialisation and co-operation in the field of production, science and technology, the pooling of effort by interested countries for the prospecting and mining of minerals, the building of industrial projects and conducting research;

a systematic extension and increase in the effectiveness of mutual trade, the improvement of its organisational forms on the basis of state monopoly of foreign trade, promoting mutual trade links along with better currency-financial relations and the system of foreign trade prices;

extending direct links between ministries, departments and other state bodies, between economic, research and design organisations of CMEA member countries;

developing existing and setting up by interested countries of new international economic organisations;

improving the legal foundations of economic, scientific and technological co-operation, particularly with a view to raising the material responsibility of the parties for the

non-fulfilment or inadequate fulfilment of mutual commitments.

A single international reproduction process will ultimately come into being as a result of the deep-going changes within the world socialist economy, which will stem from the integrational processes, from the relatively independent reproduction processes within national state boundaries.

The functioning, for over two decades, of the Council of Mutual Economic Assistance, and the use by member countries of such progressive forms of co-operation as co-ordinated plans, systematic specialisation and co-operation of production testify to the gradual accumulation of certain important elements of integration within the world socialist economy. At the same time, it is evident that the world socialist system and, in particular, the CMEA countries, essentially stand at the very beginning of integration, from the point of view of the complicated and many-sided nature of the processes of integration. Life itself today dictates the necessity for further and more rapid development of the integrational processes.

The Comprehensive Programme emphasises that further deepening and improvement of co-operation and development of socialist economic integration will continue in accordance with the principles of socialist internationalism and respect for state sovereignty, independence and national interests, non-interference in the internal affairs of countries, complete equality, mutual benefit and comradely mutual assistance. These Marxist-Leninist principles of inter-state relations of the new type correspond to objective requirements for reinforcing socialist construction in each country and to the conditions for promoting the world socialist system; they help to establish a firm basis for wide and fruitful international co-operation. At the same time, the CMEA countries base their policy on the principle that socialist economic integration emanates from complete voluntariness and does not involve the setting up of supra-national bodies, does not affect internal planning or the financial and self-sustained activities of enterprises and organisations in individual socialist countries.

At the present stage of socialist economic integration, under way largely in the CMEA member countries, it is of vital importance for members to co-ordinate their economic policies, especially those aspects of them which have a direct or indirect effect on the terms of economic relations between them. This co-ordination comes from the need for mutual adaptation of national economic mechanisms if states are to

participate in international economic co-operation, so that the operation of these mechanisms should not create complications; on the contrary, they should help to expand that co-operation and improve its efficiency. That is a vital earnest of further co-operation among socialist countries and, at the same time, a method of extending it in the most rational way.

It is patently apparent that the more the mechanisms of socialist economic management in the various countries are brought closer together the more fully this task will be resolved. Of course, the major principles of socialist economic management are important for all socialist countries. It is possible, however, that significant differences will continue in the short run in specific forms and methods of economic management due, first, to the prevailing differences in economic management in individual countries and, second, to the need for further seeking and testing more rational forms in order to manifest the overriding principles of that economic management. The growing similarity of economic management in individual countries will be necessary and inevitable, but it can only be justified if it reveals and spreads the most rational ways and means of economic management in each country on the basis of the accumulation and analysis of diverse collective experience and the best cognition of general laws of the socialist mode of production; the way, in which conditions of economic management, especially levels of economic development in the socialist countries, will approximate to one another, will also be important.

In adopting the Comprehensive Programme, CMEA countries have expressed their conviction that the economic functions of socialist states, on the basis of democratic centralism and planned economic management, will be promoted under the guidance of the working class and its parties.

For the purpose of helping to use accumulated experience, the CMEA countries believe it necessary systematically to exchange experience on questions of improving planning and management systems on the basis of the Leninist principles of socialist economic management, and, primarily, in regard to the role and functions of state planning, with account for the specific conditions of each country and for the further promotion of co-operation among member countries.

The creation of a more mature and efficient international mechanism of economic co-operation between socialist countries has an important place within the process of integration. It has to guarantee, in particular, more effective planned

development of international economic ties with strict account for value factors, regular and effective contacts at various levels between economic bodies of individual countries, definition of their mutual rights and duties and the wider employment of material incentives, including financial sanctions for violating obligations. The Comprehensive Programme points out that economic and technological co-operation of CMEA countries is based on the general laws of socialist construction and the fundamental principles of socialist economic management, on an organic combination of co-ordinated plans as a principal method of arranging co-operation with a wider employment of money-commodity relations. Signatory countries are striving to improve such organisational forms of co-operation as the various international production, commercial, scientific and technological organisations, joint enterprises and institutions.

Integration also implies greater mobility of resources for expanding production in respect to the interests of all participating parties. In this connection, it is necessary further to elaborate the problems of labour migration and the redistribution of material and financial resources. For example, the countries have to extend the use of international credit and enrich its forms, pool the resources of various countries to create, for example, special joint funds in certain necessary cases. These funds may be used both for resolving specific problems of importance to each participant country depending on its contribution, and for creating a more or less wide range of conditions that encourage co-operation and prepare the way for the desired specific economic effect. Clearly, to obtain the best result from economic co-operation, the countries must ensure a firmer link between their monetary systems and the transition to convertibility, as conditions are created.

The essential feature of integration, in regard to which organisational and analogous integrational measures are subservient, is an optimum economic balance in each country with account for the possibilities of international co-operation. That presupposes a more rational international specialisation and co-operation in production and the development of science and technology, an expansion in trade among socialist countries and its greater efficiency for all countries.

That presupposes a movement to a qualitatively new stage of co-operation rather than piecemeal improvements in the system of economic co-operation. The CMEA countries have set themselves new tasks in economic development, the resolution of which entails more efficient use of all available

resources. They therefore have fully to utilise the opportunities which the modern revolution in science and technology is presenting, and also more fully to employ the economic laws of socialism in strengthening the scientific basis of economic planning and mastering the cost levers for influencing production and enhancing the moral and material interest of industrial workers in their labour.

CMEA countries are carrying out a scientifically substantiated set of measures for further extending and improving long-term economic co-operation, based on the forecasts for advancing science, technology and production and the analysis of laws for strengthening the world socialist economic system and providing for the extension of the international socialist division of labour, the development of trade associated with it and wide-scale employment of other forms of co-operation. The tasks for improving all their work in economic co-operation emanate from consideration of the demands of the current revolution in science and technology, the need for closer co-operation between national economies and the tasks of competition between the opposing world social systems.

The work in extending economic co-operation and socialist economic integration fully embodies the Leninist principles and ideas of building a comprehensively developed socialist economy and the full realisation of progressive tendencies inherent in the internationalisation of economic life and the combined efforts of peoples building the new society.

Co-ordination of economic plans and economic policies is the main means for establishing stable and mutually advantageous economic relations between CMEA countries. They attribute particularly great importance to the co-ordination of economic plans in improving the existing, and in seeking out new and more effective methods and forms of economic co-operation.

The 23rd CMEA Session passed a resolution to expand considerably joint planned activity. In order to ensure a comprehensive resolution of co-ordinated problems, the joint planning activity of CMEA countries has to cover research and design, production, circulation and capital investment. The co-ordination of plans is a continuous process; it will be implemented by the planning and economic agencies of CMEA countries at all stages of planning; the co-ordination of five-year plans will be supplemented by the co-ordination of plans for a longer period. The scientific grounding of co-ordination will greatly increase by virtue of it being based on

joint forecasting of scientific, technological and economic development of the key economic sectors.

It is considered expedient to take a new step forward in expanding joint planning activity and more closely co-ordinating individual sectors and lines of production within the CMEA community. To achieve that, the CMEA countries will implement joint planning of certain interlinked branches of industry and lines of production. At its 44th Meeting in December 1969, the CMEA Executive Committee recommended members to carry out joint planning for the period 1971-1975 to cover certain types of metal-cutting lathes, computers, a container transport system and sheet-metal rolling stock and pipes in short supply. Thanks to the joint planning of certain industries and lines of production, the member countries will more rationally use existing production capacities and capital investment assigned to expand them, and will more fully satisfy their own requirements in the most important types of industrial output.

The co-ordination of plans and measures to extend international socialist division of labour is to be based not only on compiling balances between production and consumption of certain types of output, but primarily on scientific and economic research that will enable them to reveal progressive trends in world productive forces and to ensure a higher technological level of production and economic efficiency.

The agreement on basic tasks for employing economic accumulation is crucial for promoting planned economic development and improving the efficiency of expenditure of social labour in each country. Co-operation among the countries, therefore, is being extended to that sector of the economy in which the prospects for change in the sectoral structure of national economies are most likely, and whose possibilities for accelerating economic development are determined in the long term. Due to a concerted policy on capital investment, it will become possible to co-ordinate the creation of new production capacities and not to confine mainly to co-ordinating the use of existing production capacities, as had normally been done up till now.

The co-ordination of capital investment plans supplemented by a planned allocation of funds by individual states for financing construction of enterprises in other countries in whose production the creditor-state is interested, is enabling them to create a more stable basis for harmoniously co-ordinating production programmes over the long term. That

co-ordination is to ensure a most efficient use of accumulation in key sectors of the CMEA countries' economy, the involvement of particular enterprises marked down for construction within the system of rational international specialisation, account for the main directions of scientific and technological progress, so as to encourage a location of productive forces within the framework of CMEA which would bring the greatest economy of social labour both on a national and on a community scale.

The 24th CMEA Session paid particular attention to issues concerning further co-operation in planning activity and greater co-ordination of economic plans. The Session approved proposals to improve co-operation in planning and envisaged mutual consultations among CMEA countries on the basic issues of economic policy, exchange of experience and co-operation in forecasting within the most important economic, scientific and technological areas, and the co-ordination of plans over a long term in the key sectors of the economy and lines of production.

It set the aim for considerably enhancing the part played by planning bodies in the multilateral co-operation of CMEA countries and underlined regular co-operation among the central planning bodies of these countries within the CMEA framework for the purpose of finding effective solutions to the most tenacious comprehensive problems of co-operation in the major economic spheres. Such issues primarily include a more radical tackling of the fuel and raw material problem, the introduction of advanced technical processes in the key economic sectors, the creation of new types of equipment and sophisticated machine systems in conformity with the requirements of progressive technology, and the development of all types of transport communication.

The direct links between departments and economic organisations that have been forged on a planned basis over the last few years will greatly help to improve all aspects and directions of joint planning.

In its analysis of the improving co-operation of CMEA countries in planning, the 26th CMEA Session, which took place in July 1972, summed up the achievements of the newly formed CMEA Committee for Co-operation in Planning. Interested parties drew up joint production plans for certain types of metal-cutting lathes and for creating a material and technical basis for a container transport system; they concluded corresponding agreements.

The Session recommended its members to work to co-ordinate plans for the following five-year period (1976-1980). They did so already in the period 1972-1974 to be able to ensure the timely conclusion of long-term economic agreements. They would co-ordinate plans for 1976-1980 on a bilateral and a multilateral basis and in mutual concert with work being carried out in co-ordinating plans for the much longer period of up to 1990.

CMEA countries are taking steps more consistently to implement the principle of combining co-ordination of plans as a leading principle in developing co-operation and a wider use of money-commodity levers. The mechanism of money-commodity relations will function even more rationally, thereby helping to form stable and effective relations in specialisation and co-operation of production, expanding trade among them. They will improve the methods of mutual trade among member countries. The part played by these relations in stimulating economic co-operation will grow considerably. They are, for example, working on such important problems as stimulation of a greater output of commodities for which there is considerable demand on the world socialist market; they are helping to cover the costs associated with specialised production and to improve price formation on the world socialist market so as to enhance the interestedness both of exporters and of importers in taking part in international specialisation of production and in the realisation of specialised output.

The CMEA countries are studying the problem of selecting the best methods of joint financing of scientific research; this is particularly important with the increasing international socialist division of labour in promoting science and technology. These methods must ensure the material interest of countries in combining their efforts in research and design and using their results. Together with the continuing practice of gratuitous broadcasting of research results by one country to another, they are also considering a similar system whereby a certain part of expenses required for research are defrayed. This would enhance the material interest of countries in promoting scientific and technological collaboration.

For the purpose of expanding mutual co-operation, the CMEA countries will more vigorously utilise monetary relations and international credit. The operations undertaken by the International Bank of Economic Co-operation of socialist countries is being extended and improved, as, too, is the system

of multilateral settlements in transferable rubles; they are taking steps to enhance the part played by short-term credit in stimulating trade and fulfilling mutual obligations. Work is going on to establish an economically sound balance in the purchasing power of the currencies of different CMEA countries. Special monetary funds are to be created by interested parties so as to finance various economic measures.

The 23rd CMEA Session took a decision to create an International Investment Bank. Consequently, at the following 24th Session Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Mongolia, Poland and the USSR approved draft agreements for setting up an International Investment Bank and drawing up its Charter, Rumania subsequently joined the agreement. The Bank's main endeavour is to offer credit primarily for implementing measures associated with the international socialist division of labour. Such credit is intended to encourage international specialisation and co-operation of production, expansion of the raw material and fuel base in the joint interests of the Bank's members, the construction of projects in other areas of mutual interest to all countries. The International Investment Bank will also give credit for building other objects that serve to promote national economies and for other purposes determined by the Bank Council and corresponding to its tasks. By mid-1972, the International Investment Bank had already given CMEA countries credit for building and modernising a score or more industrial projects.

The principle of agreement is increasing in promoting economic relations among member countries, which are paying increasing attention to legal aspects of economic co-operation. The need has matured to improve long-term agreements on specialisation of production and the marketing of specialised output. The countries regard it expedient to work out a number of measures aimed at increasing the economic responsibility of parties for the fulfilment of mutual obligations and for the further improvement of the work of arbitration boards and the procedure for examining disputes between economic organisations of CMEA countries. A special council on legal issues has been set up in view of the further extension and improvement of economic and scientific collaboration and the need regularly to study and elaborate legal aspects of that collaboration.

Relations are being extended between ministries, economic

bodies, associations and other organisations of interested member countries.

The 24th CMEA Session noted that close co-operation had been established between central planning agencies and departments for science and technology, ministries, banks and other organisations. It recommended its members to ensure favourable conditions for expanding direct links between ministries, departments, economic and other organisations. The Session approved the principles, procedure, organisational, economic and legal conditions for establishing direct links on the basis of contract relations. It also approved the enhanced material interest and responsibility of parties in establishing such links. This creates the necessary legal and organisational prerequisites for a more consistent implementation of one of the most important requirements of economic relations among socialist countries—that of the stability of such relations. The document *The Basic Principles of International Socialist Division of Labour* states that the interrelationship between the economies of individual countries, based on the division of labour, must be firm and stable, since any infringement by even one country inevitably leads to disharmony in others.

It is becoming increasingly important to improve and enrich the organisational forms of economic co-operation. The role of CMEA in arranging this co-operation and working out its scientific foundation is becoming substantially greater. Interested member countries, basing themselves on the beneficial experience of such international production organisations as Intermetal and OCBI, are to set up new international production, research and trade organisations. The 24th CMEA Session approved possible organisational forms and functions of international economic organisations set up by member countries and helping to reinforce and improve economic, scientific and technological co-operation. Further, the Session recommended that member countries ensure favourable terms for these international organisations to be formed and to operate. All these measures will enable them considerably to extend international specialisation and co-operation of production and to improve the efficiency of their mutual economic relations.

Socialist economic integration is a new type of integration, free from the inadequacies of capitalist integration. The nature of integrational processes and their effect on national interests and sovereignty of the countries involved in them are radically

different, depending on whether integration occurs in capitalist or socialist conditions. Under capitalism, these processes take place in extremely contradictory forms, lead to acute conflicts among countries and increase the uneven economic development of states. Under socialism, on the other hand, integration ensures the harmonious unity of interests of all member countries, accelerates the rise of productive forces in each of them and facilitates the levelling-up of their economic standards through raising the economically less developed countries to the level of the highly industrialised at the same time as a rapid economic advance takes place for all.

Socialist integration occurs in full conformity with the principles of socialist internationalism, complete equality, voluntary involvement, mutual aid and benefit for all co-operating countries. It does not imply any privileges for one country at the expense of another. It does not imply any infringement upon the national sovereignty of any state, since the cornerstone of socialist integration is the utmost coordination of the interests of all participants, the harmonious combination of interests of each country with the overall interests of the community.

The principle of national and state sovereignty—a principle of the complete autonomy of a socialist nation and its state on its own territory and its independence in foreign relations—remains untrammelled in the socialist community under the circumstances of socialist economic integration. At the same time, new forms of that sovereignty appear, associated with international economic co-operation and the increase in the economic interdependence of individual states. These forms include participation in joint planning, membership of collective international organisations, and so on. In such cases, all questions are decided by each country independently, but not individually, rather, together with other participants on an equal basis with them. The principles which govern the activity of international socialist organisations presuppose reliable guarantees of equality of all participants and respect for their sovereign rights. Even in the setting up of joint bodies for supervising certain sectors of production, there are no "supra-state" organs, but agencies acting on behalf of and under the instructions of member states and operating within the bounds of the powers which these states have given them. Strict observance of the voluntary nature of decisions by each country, naturally, does not excuse it from the need consistent-

ly to fulfil its voluntary commitments and to bear material responsibility in the event of not fulfilling them.

The socialist countries are aware of the fact that socialist economic integration will for a long time take place with the continued existence of a national-state organisation of the economy and of the sovereign rights of each state in economic development. The implementation of integrational measures is therefore a manifestation and not a restriction of their sovereignty. In the world today, only the increasing political and economic unity of the socialist countries makes it possible to observe in any genuine way their national interests. The rationally implemented economic coming-together of the socialist countries, including forms which presuppose joint economic work by several countries in certain sectors of the economy, cannot clash with the national and state sovereignty of socialist countries if it is understood correctly. The essence of sovereignty in the economic sphere is supremacy in tackling economic problems for the purpose of boosting national productive forces; it is also the unlimited right to use national resources in the most rational way. Insofar as economic consolidation contributes to the creation of an optimum economic complex in each member country and greater efficiency of social production within it, it does not undermine but, rather, strengthens the sovereignty of socialist countries.

This springs from the very essence of socialist social relations which have been affirmed both internally and internationally, and from the objectively formed and strengthening interrelationship between the development of each country and the welfare of the entire community. To renounce the use of the advantages of jointly tackling economic problems would be, in effect, to renounce the implementation of the sovereign rights of a country to employ its natural resources more efficiently. In such a circumstance, it would be a matter not of observing sovereignty, but of impinging upon the national interests of one's own country, just as it would be a departure from socialist internationalism.

It is natural that only countries which have an interest in joint economic measures will participate in them, while uninterested states may refrain from participation without hindering interested states in implementing joint measures necessary for their economic development and which do not militate against the interests of any other country. It is clearly sensible to foresee the possibility of integrational processes of varying intensity, depending on the readiness of various

countries to participate in them, which would guarantee a greater co-ordination of interests of individual states.

Among the problems of international socialist integration that demand greatest attention is that of extending the participation of relatively less economically developed states.

The world socialist economic system has the potential to overcome differences in economic levels by a rapid advance of countries that had inherited economic backwardness. Certain results have already been attained in that direction. The countries economically backward before have developed at a faster rate and their share in the aggregate economic potential of CMEA countries has markedly risen. A modern multisectoral economic structure has formed virtually in all these countries and the economy has acquired an industrial character. Participants in the 25th CMEA Session made the point that the higher rate of economic development attained by the erstwhile industrially backward countries, by comparison with the average growth rate in CMEA member countries, are, on the whole, leading to a gradual levelling-up of economic development standards. It takes a long time, however, to overcome essential differences in economic levels of socialist countries and, until now, these differences have been hampering to a certain extent the development of co-operation among socialist countries.

It is these differences in the levels of economic development that are one and, evidently, a major objective reason for many complex problems and non-antagonistic contradictions that have emerged as the socialist countries draw closer together economically. They may be seen as both a manifestation and a consequence of the still insufficiently high degree of internationalisation of production within the world socialist system.

Therefore, the major aims of steady implementation of socialist economic integration, of improving the international socialist division of labour and its efficiency include the gradual evening out of the economic development levels of all socialist countries; this is, at the same time, a factor that encourages greater integration. It is only in this process that many problems that arise today in extending the international division of labour are solved; this simplifies the approach to many questions of co-operation. Furthermore, the process helps to form increasingly favourable circumstances for realising all the advantages of the international socialist division of labour and other forms of economic co-operation among the socialist countries and for bringing their national

economies closer together. From this viewpoint, the CMEA countries attribute great significance to concerted efforts aimed at removing obstacles from the path of economic integration; such obstacles are due to the existing differences in economic levels among individual states. Integration, in turn, will extend the possibility of mobilising the internal resources of each country and will speed up the process of levelling up standards of economic development.

The Comprehensive Programme of socialist economic integration therefore envisages that, at the request of the Mongolian People's Republic, member countries will pay particular attention to ensuring accelerated growth and greater efficiency of the Mongolian economy. The Programme notes that to create an optimum complex within the Mongolian economy requires considerable capital investment and assistance from other CMEA countries.

In weighing up the economic position of the Mongolian People's Republic and the specific issues associated with it, CMEA member countries have agreed among themselves and with Mongolia to take special measures on a multilateral or bilateral basis aimed at accelerating development and improving efficiency of the Mongolian economy with account for its natural and economic conditions, and also aimed at further extending and improving co-operation and development of socialist economic integration.

The set of agreed measures includes the joint construction and operation of industrial and other projects in Mongolia through assistance with finance, material and technological means and labour power, and also the rendering of assistance in exploiting designed capacity and attaining the techno-economic indicators of the work of enterprises built by concerted efforts of CMEA member countries and envisaged in the corresponding projects. Mongolia will receive various credits on preferential terms and for long periods, specified in particular agreements. Where need be, advantageous foreign trade prices will be used on agricultural produce and processing industrial goods in order to improve the productivity of agriculture and the processing of certain types of minerals and timber. It also envisages effective assistance in promoting science and speeding up scientific and technological progress in Mongolia, comprehensive assistance in training Mongolian specialists and commissioning specialists and skilled operatives to work in Mongolia at preferential wage rates. Individual countries will help Mongolia on an unrequited basis.

The 26th CMEA Session that took place in July 1972 reported that several special measures aimed at accelerating development and increasing economic, scientific and technological efficiency in Mongolia had been carried out.

The CMEA countries are fulfilling the historic task of providing a pattern for tackling problems that arise in foreign economic relations as a result of the different levels of economic development and effectively using such relations for levelling up standards. This has become possible within the world socialist system, inasmuch as the motive force of the development of mutual relations between the socialist countries and, in particular, of the processes of international socialist integration is not the competitive struggle (as is the case within the world capitalist system), but co-operation and mutual assistance by fraternal nations and the harmonious interests of all countries, including those that are economically less developed.

Fraternal co-operation in the socialist world guarantees account for the interests of all fraternal countries, irrespective of their economic levels. Based on the principle of socialist internationalism and common interests of the whole community, the socialist countries are bound to pay special attention to the interests of economically less developed countries. They strive to see that the less developed economy should benefit more quickly from international specialisation and co-operation of production and other forms of co-operation; it is clear that the principal method for overcoming differences in economic levels cannot be a simple redistribution of resources among countries.

A growing burden lies today upon the economically more advanced socialist states whose job it is to work out ways of utilising the scientific and technological achievements and creating more complex lines of production, not to mention expenditure on strengthening the defence capability of the entire socialist community. Any serious narrowing of the possibilities for accumulation in these states would be to the great detriment of each socialist state. Therefore, although the problem of credits and loans given by the more advanced to the economically less developed socialist states does not lose its importance, the main factor is to employ all forms of co-operation and, above all, international specialisation and co-operation of production, so as to increase the economic efficiency of the less developed countries. International socialist integration has its greatest effect on the development

of national economies so as to obtain optimum structures, accelerate scientific and technological progress, increase the output of uniform production, reduce its costs and increase the effectiveness of capital investment.

The aim of extending the international socialist division of labour is both to reduce expenditure on various output in each socialist country and to locate the various branches of production within the socialist community so that output has the lowest costs over the entire community. This approach, however, has nothing in common with the priority development of the productive forces in countries which already today have a higher level of economic development and where technological levels and labour productivity are high. The socialist countries constantly pursue another task—that of extending the international socialist division of labour—i.e., to help to level up economic development of all members of the community.

The two above-mentioned tasks may be harmoniously combined because the socialist countries, in extending the international socialist division of labour, are not simply adapting themselves to the production capacities and conditions of individual countries. They are, with increasing consistency, pursuing a course for purposively and concertedly improving the economic conditions of production in each country, expanding its production capacities and co-ordinating them with the economic advance of all fraternal countries. Therefore, both in each country and in the whole community, conditions are being consciously created for improving the efficiency of social production. The whole work in creating such conditions is being based on a strict account for the interests of each country and the tasks of more rapidly improving the economic level of the economically less developed countries.

Socialist integration never counterposes an economically less developed to a more developed state. A highly industrialised socialist state cannot confine its participation in economic co-operation without harming its own interests, especially long-term interests, and also the common interests of the socialist community. Equally, countries that are still relatively less developed cannot stand aside from the integrational processes in the world socialist economy without hampering the progress of their own economy and forfeiting the chance to use the advantages of the international socialist division of labour. Obviously, one cannot wait because of certain difficul-

ties engendered by differences in economic levels, until they are all levelled up and, in the meantime, limit one's participation in socialist integration. It is, on the contrary, important to develop co-operation among fraternal socialist countries intensively and rationally, by increasing the part played, through joint efforts, of all forms of co-operation as factors encouraging efficient use of internal resources.

The more active involvement of economically less developed countries in international specialisation and co-operation of production may be ensured also by special stimulatory measures employed for intensifying the international socialist division of labour. This circumstance may be taken into consideration in forming prices for special products. However, this presupposes vigorous employment by economically less developed countries of the techno-economic advantages of the international specialisation and co-operation of production so as to reduce costs and the initially established advantageous foreign trade prices.

In principle, one has to be guided, of course, by ensuring a stable and ever-increasing material interest in international socialist division of labour for all member countries without exception—both the highly developed and the economically less developed. Each country must receive an economic advantage from joint economic measures, although, in the interests of encouraging the development of the economically less developed countries, they may receive a share of that effect that surpasses their share in corresponding expenditure. Thus, an increasingly consistent observation of mutual benefit in international economic relations, a policy for reinforcing economic expediency in this sphere, too, does not reduce the importance of mutual assistance and disinterested help in boosting the economy of less developed states.

Socialist economic integration enriches the forms and methods of economic co-operation among fraternal states. That means that it increases the arsenal of means for improving efficiency of each national economy, enabling each country to take part in forms of co-operation which would most fully correspond to its conditions. In guaranteeing a more intensive development of the international socialist division of labour, integration makes possible more than at any time in the past a greater efficiency of economic relations, which is an important condition for strengthening the world socialist economy.

The Communist and Workers' Parties of CMEA countries combine efforts to tackle the problems involved in comprehensively promoting economic co-operation of their countries and of strengthening the world socialist economy; they thereby display a realistic, strictly scientific and profound approach to implementing socialist economic integration; they base themselves on the need for a consistent, continuous and swift resolution of specific integrational problems as favourable conditions for this have been created. The CMEA member countries, which are forming an economic nucleus of the world socialist system, are governed by the fact that socialist economic integration has exceptional importance for solving many salient problems of building a developed socialist society and communist construction, for ensuring the increasing success of socialism in the struggle between the two opposing world social systems. It may be said without exaggeration that the course of world development in the near future will in no small measure depend upon the extent to which the present forms and methods of economic integration of the countries of the world socialist system will be effective. The Communist and Workers' Parties of the CMEA countries are putting into practice with increasing success Lenin's behests in strengthening the economic position of fraternal countries and improving the world socialist economy.

SOCIALIST ECONOMIC CO-OPERATION AND EFFICIENT SOCIAL PRODUCTION

Economic co-operation among nations building socialism has an important place in Lenin's conception of socialist economic progress. Lenin said that it requires "economic expediency and internationalist and democratic instinct and consciousness".¹ "Under socialism," Lenin wrote, "the working people themselves will nowhere consent to seclusion merely for the ... purely economic motives."² Lenin regarded economic internationalisation as an invariable condition for efficient operation of the socialist economies.

These instructions of Lenin's are more than ever relevant, because conditions have matured within the world socialist system and the need has strengthened for wider and fuller employment of the enormous potential for greater economic efficiency in every socialist state; these prospects open up due to international economic co-operation within the world socialist system. The socialist countries are experiencing, with increasing force, the closest interrelationship between economic growth in each country and firmer economic contacts with fraternal socialist countries.

To build communism in each country necessitates socialist countries' co-operation in economics, foreign policy, culture and defence.

Participation in the division of labour promotes the economies of all socialist countries, large and small. Admittedly, the larger states are less dependent on the foreign market. Their internal needs are so great that they can create an optimum scale of production capacities and develop specialisa-

¹ V. I. Lenin, *Collected Works*, Vol. 23, p. 68.

² *Ibid.*, Vol. 22, p. 339.

tion and co-operation basically within the confines of their own territory. Nevertheless, these countries, too, are interested in the international division of labour, since an economic rift between them and other countries would adversely effect their economies. They can with profit acquire certain products elsewhere if their production is economically more efficient in another country.

As the socialist economic system grows in strength, each country sees a growing association between international socialist relations of production, expressing the social nature of socialist economic co-operation, and intra-state socialist relations of production. The higher the social progress of the new society within national boundaries, therefore, the more fully will the opportunities of international co-operation be realised within the socialist community and, consequently, the higher will be the role played by that co-operation in national economic prosperity.

The growth of productive forces in each socialist country accompanies an expansion of its external economic ties. A country that possesses a great economic potential is better able to discover and implement rational methods for tackling economic problems that require joint effort. Meanwhile, it becomes possible more evenly to spread costs among co-operating states so as to carry out measures in international economic co-operation and economic benefits accruing from it.

The need for fuel and raw materials, which are either lacking or in short supply in a given state, grows as it extends the scope of production and its sectoral structure. Although, on the whole, the degree of self-sufficiency in the processing industry, including engineering, greatly increases by contrast with the initial stages of industrialisation, the assortment of items necessary for the economy rapidly increases. At a certain stage of development, it becomes uneconomic further to increase the assortment of native production, especially if it entails creating more and more new lines of production with a small volume of output that cannot attain optimum scale. The growing demand for imports causes a need to increase exports. At the same time, the growth in exports is also due to the need to have economically efficient modern production equipped with up-to-date machinery.

When a country creates the material and technical conditions for modern highly concentrated production, it usually increases a need to export, because an economically viable volume of production is likely greatly to exceed the capacity of

the home market. In order to raise the growth rate of national income and more fully satisfy social needs, each country has to increase exchange of various consumer values with other countries and curb the expansion or even restrict the material structure of its own social product.

This does not mean that the socialist countries passively sit back and wait for a higher economic level with wider opportunities and more efficient economic co-operation. Nor does it mean that the economically less developed countries can, without harming their own economies, restrict their participation in the international division of labour and other forms of co-operation. A direct dependence exists between efficiency of social production in each country and the use of all opportunities for co-operation, particularly the division of labour. The more timely and active the involvement of an industrialising country in fraternal co-operation, therefore, the more fully and rationally can it exploit its own resources.

Although the growth of productive forces in every socialist country is based above all on mobilising its own internal resources, it is vital for every country to employ external factors of economic growth as well. The necessary conditions have arisen and are growing strong in the world socialist economy for greater importance to be given to these external factors in strengthening national economies and for bringing the less developed economies up to the level of the advanced. This is ensured by the steadily expanding process of economic consolidation of the socialist countries, especially the CMEA countries; this is taking place against a background of mutual co-operation in promoting the national economies.

Although industrialisation and modernisation of the economies of the CMEA countries during the 1950s was based largely on their mounting economic co-operation, it was often accompanied by a number of essential defects that testified to poor use of the advantages of international socialist specialisation and co-operation of production. For example, from the early 1950s some countries tended to create a wide range of branches and lines of production without a realistic account of the potential of each country and the prospects for extending the international socialist division of labour; so, there appeared unwarranted duplication in the production of identical commodities in the various countries. On the one hand, this was due to the lack of experience of international co-operation in production and the obvious insufficient theoretical elaboration of problems involved in division of labour; on the other hand,

there was the lack of a production base necessary for successfully extending the international socialist division of labour. The problem was that the People's Democracies were only just creating it in that period.

To give one example, economically unjustified duplication of engineering programmes existed in the first half of the 1950s—a factor that still prevails in CMEA countries. Hungarian economists, for example, have analysed their country's economic progress during the first five-year plan (1950-1954) and concluded that no proper account was taken of the country's economic resources and the great potential in a better organisation of co-operation with the USSR and other socialist countries. The five-year industrial programme showed signs of autarky: some branches of industry developed in numerous directions without proper account for the existing resources of fuel and raw materials, manpower and production experience, and also the interests and opportunities of other countries of the socialist camp.¹

So the natural growth of the sectoral structure in each country occurred without proper co-ordination of production programmes. As a result, economically unjustified duplication occurred in the production of identical products in various countries; the creation and strengthening of multi-sectoral industrial complexes were not accompanied on the right scale by an efficient international intra-sectoral specialisation of production. Sometimes the processing industry, and particularly mechanical engineering, was structured without sufficient consideration for the internal production capacity of raw materials and other goods or for more rational versions of imports. In several cases, countries lacked conditions for native production of ferrous metals on a large scale and yet they promoted metal-consuming branches of engineering.

Although CMEA countries encouraged international specialisation in the processing industry, they often did not overcome the tendency towards irrational expansion of the range of products in cases associated with excessive scattering of production, small volume of output of identical products and low economic indicators of production. In the German Democratic Republic, for example, restriction on the range of products in several branches, particularly engineering where it was similar to the overall range of goods of world engineering, was regarded as an acute economic need, even though the

variety of economic production in the GDR expanded by 11,000 items in the period 1964-1966 alone.

The tendency towards excessive diversification in the processing industry is still due largely to a desire to cover expanding internal needs by native production rather than by more intensive participation in the international socialist division of labour. This is the reason for the irrational scale of output of identical products corresponding to the limited volume of the home market of relatively small countries; it also bears witness to the continuing weak part played by the international division of labour in rationalising the range of products, which is an important means of enhancing economic efficiency. The CMEA countries are today paying enormous attention to working out and implementing rational schemes for international production specialisation and for strengthening the effectiveness of various forms of joint planning activity.

The greatest mutual dependence and complementing of national economies has occurred in inter-sectoral specialisation, deliveries of fuel, raw materials and certain semi-finished products from one country to another, mainly from the Soviet Union to the European members of CMEA. This specialisation is basically due to the differences in the amount of resources of minerals, hydropower and timber. Often, the long-distance transportation of fuel and raw materials involved in this specialisation has been and remained inevitable and economically justified. This includes, for example, Soviet-Hungarian co-operation in the production of aluminium, in which the alumina extracted in Hungary is transported to sources of cheap electrical power in the USSR, and the resultant aluminium is sent back to Hungary. According to estimates, this co-operation results in lower production costs of aluminium over the two other possible arrangements: by concentration of all stages of aluminium production from bauxite in Hungary or the transfer from the Volga to Hungary of electrical power needed for smelting aluminium from alumina.

But even here, in the sphere of inter-sectoral specialisation, there have been poorly justified international production contacts, especially as a result of beginning blast-furnace production on the basis of long-distance transport of iron ore and technological fuels obtained from the USSR.

The need for closer co-ordination of effort in CMEA countries in economic progress was already apparent by the

¹ See *Periodica polytechnica*, No. 2, 1959, p. 164.

mid-1950s. A great deal of work in promoting and improving international socialist division of labour was done on that basis.

The CMEA countries are drawing up and carrying out measures for resolving more rationally problems concerned with supply of fuel and raw materials, the formation of economically more efficient inter-sectoral specialisation. These include the replacement of unprocessed raw material deliveries by deliveries of raw materials that have undergone initial treatment (iron ore rollings instead of raw ore), replacement of deliveries of raw materials by semi-finished products (cast iron in place of iron ore), and improvement of the sectoral structure of the processing industry in countries with a narrow raw material base (primarily a greater share of the less metal-consuming branches of engineering). Of even greater importance are the steps being taken, or outlined, to ensure intensification and improvement of the intra-sectoral specialisation of production. Agreed distribution of production programmes of certain industries among CMEA countries should serve to reach that objective; of special import are production programmes in engineering with the employment of specialisation forms according to a range of items, individual parts and processes.

The CMEA governments are focusing attention on the need more fully to use economic advantages obtained from a deeper division of labour among them. The document *The Basic Principles of International Socialist Division of Labour* states that economic effectiveness of that division of labour finds its ultimate expression "in the rapid growth rates of production and the fullest satisfaction of the needs of the population in each country with minimum expenditure of social labour". This can be obtained by realising the advantages of the international socialist division of labour manifest directly in various sectors of production (production concentration to optimum limits, improved employment of production capacities and consequent lower costs of production), and within the framework of the entire economy: formation of an optimum economic sectoral structure, use of existing favourable conditions for priority development of certain sectors, and cutting down the effect of adverse local conditions.

How is it possible to economise on labour expenditure through greater international socialist division of labour?

1. As a result of that division of labour, conditions develop in the process of manufacture of various products on an optimum scale and for the economically justified introduction

of highly productive technology. This lowers production costs, improves quality, economises on labour as a result of higher productivity directly at certain sectors of production.

Lenin noted the importance of production specialisation for higher labour productivity: "To increase the productivity of human labour in, for instance, the making of some part of a whole product, the production of that part must be specialised, must become a special one concerned with mass production and, therefore, permitting (and engendering) the employment of machines, etc."¹ He is here stressing the point that specialisation leads not only and not so much to concentration in general—the concentration of manpower and production assets at individual enterprises—as mainly to concentration of production of identical products which plays a particularly important part in increasing labour productivity.

In joining the system of international socialist division of labour, each country receives great additional possibilities for concentrating production and creates favourable conditions for technological re-equipment. In many countries, optimisation of production capacities, especially in engineering and iron and steel industries, greatly depends on how widely the advantages of international specialisation and co-operation of production are used. The international socialist division of labour paves the way for resolving the objective contradiction between the need for a rationally high concentration of production, which creates conditions for increasing its economic efficiency, and the existing capacity of the home market which is often insufficient to cope with batch and mass production. Frequently, the capacity of national markets, particularly in small and medium-sized countries, does not encourage the output of production on an economically viable scale, although these countries may have attained concentration of production of identical products at a small number of enterprises. The opportunities are also restricted for internal specialisation of production within the bounds of individual countries. As a result, an opportunity to change to batch and mass production for improving economic efficiency often can only be done through international specialisation. Only specialisation of production on an international scale allows a widening of the market for a particular branch of industry, which would justify the creation of economically optimum

¹ V. I. Lenin; *Collected Works*, Vol. 1, p. 100.

production capacities. By extending the international division of labour, socialist countries increasingly use, for raising efficiency of production, the dependence of the level of output expenditure on the development of concentration and specialisation of production, and on the possible scale of the market for that output. Here lies one of the major reserves for improving production in the socialist countries.

The work of CMEA agencies in standardisation is doing much to promote the international socialist division of labour. Recommendations on standardisation were adopted by CMEA agencies: recommendations for machines, equipment and instruments, for electronic techniques, radio electronics and communications techniques, for metals and metal products and for chemical products and rubber-asbestos commodities. They were intended to ensure the replacement of parts and aggregates of machinery, equipment and instruments produced in CMEA countries, to step up serial production and improve quality, to unify technical standards and methods of testing products. The prerequisites have been created, therefore, for replacing a number of assemblies and parts of lathes, lorries and buses, and chemical equipment. All that helps to promote international specialisation and co-operation of production in CMEA countries and to expand exchange of commodities among them. For example, standardisation has meant a threefold reduction in the number of types of sea-going vessels, an almost fourfold drop in the number of types of river craft, a more than fourfold reduction in types of refrigerators and a 2.3-fold reduction in types of freight and passenger rail stock. The best possible conditions have therefore been created for serial production, reducing cost and shortening the time for building vessels and increasing their technical standards. The consistent realisation of these conditions presupposes a more rapid account of the appropriate recommendations on national standards and reduction in the time of their introduction.

The CMEA governments attach great importance to the co-ordinated development of international specialisation and co-operation of production, the international socialist market and the material and technical basis of production, so as to obtain an all-round increase in economic efficiency. As Lenin once wrote, "The dimensions of the market are inseparably connected with the degree of specialisation of social labour.... But this specialisation, by its very nature is as infinite as

technical developments."¹ Elsewhere he wrote: "Technical progress must entail the specialisation of different parts of production, their socialisation, and, consequently, the expansion of the market."²

The access to the very large Soviet market is vital to the economic development of small and medium-sized socialist countries. Deliveries to the Soviet Union of many products, including those of industries of paramount importance to national economies, like the engineering and chemical industries, do much to encourage growth of production and its concentration. Between 1945 and 1968, for example, Poland delivered to the USSR equipment for 15 sugar refineries, 11 yeast works, a large consignment of chemical equipment, some 80,000 freight and passenger wagons and over 500 vessels. More than 60 per cent of the Bulgarian engineering industry is currently producing equipment for the USSR, and four-fifths of the capacity of the Bulgarian canning industry is concerned with Soviet orders.

International specialisation of production greatly reduces the need to restructure production to meet the requirements of a country for certain types of production—whether it is equipment for a particular factory or consumer durables of definite trade-marks. International specialisation frequently enables a country to prolong the production of a particular product because it can work for several countries rather than a single one.

Dependence of the level of production concentration on the degree of involvement in the international socialist division of labour is already often fairly well defined in several industrial branches in CMEA countries, especially in some sub-branches of engineering. Working for export encourages specialisation and concentration in farming, as well.

Thus, the international division of labour guarantees to create a mass and batch production in various industries and thereby helps to increase economic efficiency. Industries that actively participate in the international specialisation of production usually develop at markedly rapid rates.

By extending the international specialisation of production, individual CMEA countries deliberately avoid production of certain commodities, preferring to import them, and halt their home production because they have become an object of

¹ V. I. Lenin, *Collected Works*, Vol. 1, p. 100.

² *Ibid.*, p. 101.

specialisation of other countries. As a result of agreement between Poland, Rumania and Bulgaria, for example, Poland no longer produces certain types of gear-cutting lathes.

International specialisation makes it possible greatly to increase economic efficiency. That is why the CMEA countries have worked out a programme to cover their needs for ball bearings by joint effort. If each state were to attempt to manufacture all the ball bearings it needed, this would be extremely difficult to achieve technologically and extremely unprofitable economically. Therefore, each country will produce ball bearings required in a large number, while various countries will specialise in producing rolling contacts used on a comparatively narrow scale in individual states. Work on production specialisation for ball-bearing manufacture, begun in the first half of the 1960s, was continued through 1966-1970.

2. Higher efficiency of expenditure of social labour by means of the international division of labour is also obtained by improving the structural balance. This entails an economy on labour throughout the country by virtue of the international division of labour bringing about a greater degree of proximity to the optimum structure that would make it possible to allocate labour and material resources by sector with the greatest economic effect.

Division of labour between socialist countries encourages progressive shifts in the sectoral economic structure. International specialisation and co-operation of production acquire increasing importance for improving several basic economic proportions in each country. Depending on how much a country participates in international specialisation and co-operation, its economic rationale for the proportions in the economy of individual countries will increasingly depend both on an inter- and intra-sectoral scale.

Due to the international socialist division of labour, the countries participating in it can, in shaping the structure of their economies, more fully take account of the natural and economic conditions of production. This division of labour enables them to obviate and remove any deviations from the optimum-sectoral structure. As the division of labour extends, it becomes possible to concentrate material-consuming lines of production in countries that have at their disposal the necessary raw materials and to reduce the load on the raw material base of countries where resources of raw materials are small. It is possible to avoid widespread development of

particularly power-consuming production without a sufficient power base. A correct division of labour can help to overcome any lag in development of the more progressive branches and lines of production. The efforts of socialist states in increasing economic efficiency of production by improving the sectoral structure of the economies, therefore, can bring the right results only if careful account is taken of the possibilities that emanate from greater international specialisation and co-operation of production. The CMEA countries extend the international socialist division of labour by co-ordinating plans, agree on and implement measures intended to secure an economically rational balance between individual sectors and lines of production which encourage the maintenance of a high rate of extended reproduction.

The increasingly close economic co-operation of CMEA countries is apparent in the formation of certain international common proportions in production. A whole number of internal economic proportions of CMEA countries are becoming increasingly interconnected and interdependent—with strict observance for voluntary agreement, equality, mutual benefit and assistance and full respect for the sovereignty of each country. They are becoming component parts of the economic proportions on an international scale.

By joint effort, the socialist countries are ensuring a balance between the extraction of coking coal and ore and the requirements for them in the iron and steel industry, between the smelting of metals and the development of engineering.

National economic proportions are losing their closed national features and becoming linked up with proportions in the economies of other states; they are acquiring a new meaning that corresponds to the growth demands of economic efficiency of production, of the modern scientific and technological revolution. The balance between economic sectors in individual countries is thereby not affected; on the contrary, it becomes more rational. The task of maintaining an economically rational balance between sectors of the national economy will increasingly be resolved by combining the efforts of several socialist countries and by increasing the division of labour among them. This will produce a more rational and stable balance in the economy of each country and will stimulate a growth in efficient expenditure of social labour. The policy of optimising several important economic proportions has become a dominant trend in co-ordinating economic plans.

The socialist countries do not set out to co-ordinate the formation of any economic proportions. For a long period of time, national economies will still remain independent economic units, and the process of forming a whole series of proportions occurs basically or exclusively within a given country. This applies primarily to proportions in distribution of the national income, to the non-productive sphere, not to proportions formed in material production. But the role of the economic proportions formed on an international scale will steadily increase. The united economic efforts of socialist countries will be an increasingly important aspect of their economic development, an increasingly vital factor in tackling the economic problems that confront them. The international economic proportions that are being formed systematically and in a conscious way within the socialist community will increasingly express the marked progressive historical tendency towards economic consolidation of socialist countries.

3. An economy on social labour is also obtained because the international division of labour enables each country to be guided by the export of commodities whose output requires less expenditure than that on the native production of other, imported commodities. Each country thereby is able to expand the output of goods for whose production it has or is deliberately creating favourable conditions through further international socialist division of labour. At the same time, it can halt the output of several commodities so as rationally to restrict the variety of products or to refrain from producing commodities for whose manufacture it has insufficiently favourable conditions.

The international division of labour and the foreign trade encouraged on its basis can increase the consumed national income of a country through raising the value of imports over the value of exports calculated in terms of the internal prices of a given country, i. e., with account for the national level of labour productivity. This results from a rational commodity structure of exports and imports, taking into consideration deviations in the national level of labour productivity (in various sectors and lines of industry) from the mean international level and, consequently, differences in the national and international value of individual commodities. This foreign trade effect, leading to an increase in consumed national income, greatly differs from the effect obtained in credit operations, because it does not involve an inevitable reduction

in the national income of another country. At first glance, such an effect may appear to be fictitious since, in estimating exports and imports in foreign trade prices in the event of a foreign trade balance, its balance would be equal to nought; in the event of a passive balance, a balance of payments deficit occurs for the country which has to cover it by some means or another. In actual fact, however, we refer to a perfectly real increment in consumed national income by comparison with the income produced.

By virtue of this, the international division of labour through foreign trade contacts of each socialist state will increasingly become a source of economic accumulation, whose role will steadily rise.

By co-ordinating economic plans and extending specialisation and co-operation, the CMEA countries make exchange of activity between them not simply a means of covering deficits, overcoming temporary difficulties, maintaining certain natural proportions in the process of reproduction (for example, between the requirements of the processing industry and the existing quantity of raw materials). Such exchange of activity is today acquiring an even wider significance; it is becoming an important source of increment of national income.

With a careful study of the opportunities offered by mutually advantageous co-operation, trade turnover between countries can be constructed so as imported commodities in each country have greater value than exports from the viewpoint of efficient labour expenditure in a given country.

The advantages from foreign trade by one country should certainly not be accompanied by any losses from foreign trade by its partner. It is wrong to imagine that only a country with high labour productivity throughout its economy can benefit from international trade. By co-ordinating their efforts in extending international socialist division of labour and by offering mutual support in promoting production, the socialist states will increasingly ensure the most direct positive influence of mutual trading ties on the efficiency of each country's economy.

International division of labour through international trade turnover has a big impact on the relationship between the two departments of social production in each country.

Co-operation and mutual assistance among socialist countries make it possible at certain stages of development for individual countries to lay the basis for a national industry and

to implement extended reproduction even when the rate of growth of consumer goods industry (Group B) surpasses that of producer goods, because the priority development of producer goods is guaranteed over the entire world socialist economic system by the joint efforts of fraternal countries.

Division of labour makes it possible to reduce the dependence of proportions between the consumed means of production and consumer goods on the balance between the means of production and consumer goods being created in a given country. In some states, the share of the means of production in the gross national product may be higher than in the total consumption, while in other states, the opposite may be the case. This may be due to relatively temporary factors, as, for example, a great difference in economic levels; it may also be due to more stable differences in natural and economic conditions of production, including differences in structure deliberately created and reinforced as the international division of labour extends so as to raise the economic efficiency of national economies. In both cases, the reduction of the above-mentioned dependence may be encouraged by the creation of more favourable prerequisites for extended reproduction in each country.

Division of labour enables each state to reduce the dependence of the balance between individual types of consumed means of production on the balance between individual types of producer goods (and likewise with consumer goods). In one country, the proportion between the means of production used in the process of production for manufacturing means of production and the means of production for manufacturing consumer goods may deviate from the proportion between the various commodities actually produced of one type and of the another. This deviation may also be both unavoidable and deliberately created in the interests of enhancing the economic efficiency of production.

Due to such possible deviations, a country may achieve a greater economic efficiency of social labour expenditure in both Departments I and II of social production; this may occur over the world socialist system as a whole. International division of labour and international specialisation enable individual countries sometimes to have an extended reproduction without possessing the necessary share of means of production in the social product. International exchange of means of production for consumer goods enables each country

gradually to create an optimum structure of its own production and to ensure an optimum balance between the rate of growth in Departments I and II. This optimum structure, however, does not imply a gulf between the relations of these two departments on an international scale and the transition to closed intra-state proportions between them. Moreover, the Communist and Workers' Parties of CMEA countries have often formulated tasks for rational economic management; these demand that in present-day conditions the priority growth of producer goods and the accelerated development of progressive sectors in each country should become a fully efficient factor in national economic growth only if it occurs on the basis of the international socialist division of labour.

The important issues of the world socialist economic development include the problem of a rational and scientific approach to the restructuring of economies which inherited from capitalism a backward mono-cultural economy.

In the economically less developed countries, agriculture is invariably the major source of accumulation for a fairly long period, although these countries gradually extend their potential for increasing investment in farming itself. This, in turn, encourages the process of accumulation within farm production. The world socialist economic system is free of many factors which operate in the world capitalist economy and which cause the unequal status of countries with a narrow agrarian and raw material bias in international specialisation, hamper the dismantling of the mono-cultural nature of their economy. In particular, the world socialist system does not harbour the danger that close ties of some countries with the international socialist market will lead to their economic dependence on other countries, or that they will be a brake on economic progress. The market is free of a spontaneous play of prices and speculation. The formerly backward countries are now able, relying on agrarian and raw material sectors and modernising and expanding them, steadily to progress to a wider economic structure, as they reinforce the basis of their national economic accumulation, especially to promote industries concerned with producer goods. This presupposes rapid progress on a modern foundation of several other industries that serve to satisfy popular requirements. They thereby overcome factors inherent in agrarian-raw material countries within the world capitalist economic system, such as a low techno-economic level of export industries, in the main, and

the great backwardness of sectors supplying the population with consumer goods (including the retention of a natural economy).

Despite the apparent facility and practicality of such an approach, its simplicity is only ephemeral. In practice, many objective and paramount economic factors can prevent this happening and, sometimes, force a country to create a multisectoral economic structure even when its economic accumulation is extremely limited; this somewhat deflects it from consideration of current economic efficiency. A good illustration is the problem of employment. When an excess of manpower exists in agriculture and it is impossible to make much impression on increasing the degree of employment of labour power in this sector and guarantee employment for those freed from the land by mechanisation (by extending the acreage under cultivation and changing its structure, increasing the share of livestock breeding, etc.), it becomes necessary in tackling the employment problem to develop a varied processing industry, especially those sectors which require less capital investment per working place.

The ways and rates of restructuring the economy for countries that inherited economic backwardness from capitalism can greatly depend on the sectoral structure of farm production, the level of accumulation obtained from it and the possibilities of increasing it by additional investment. They may also greatly depend on the export status of farm production, the demand and price level for its products in foreign markets. A high export quota of agriculture and suitable (not precluding the possibility of economic accumulation) conditions for international exchange are important factors in economic progress and sufficient guarantees of its requirements in various products through imports. This has a dual significance. On the one hand, the more favourable positions of a country on the world market with a commodity that has become its traditional export make it easier to resolve the problem of accumulation for industrialisation. On the other hand, they obviate the need to force industrialisation for the purpose of increasing the degree of a country's self-sufficiency. Unfavourable export conditions of traditional products encourage a country to accelerate the creation of its own production of various commodities, to reduce its dependence on opportunities for obtaining currency earnings for their imports and to pay less attention to economic efficiency of newly formed lines of production.

The fact that industrialisation plays a very important part in accelerating and strengthening socialist socio-economic changes and in reinforcing the leading role of the working class has a great deal of meaning for fixing the rate of economic restructuring.

The possibility of a "gradual" approach to economic restructuring in a less developed country also depends on the economic potential of the entire socialist community, on the level of industrialisation reached by most socialist countries and on the balance between the two departments of social production and the share of progressive sectors on the scale of the whole world socialist economy.

Similarly, the labour productivity level in farm production should remain completely dependent on deliveries of products of the leading industries; by itself, it is virtually incapable of directly helping to increase efficiency of production in other sectors. It can only do this indirectly, mainly as a source of accumulation for the import of vital machinery, raw materials and fuel. This factor also motivates the formerly agrarian countries to create their own processing industry as quickly as possible, especially sectors of Department I of industrial production, because too great a load—as a source of accumulation for industrial imports necessary for developing agriculture and other existing sectors and consumer imports—is put on agriculture and on the foreign trade of farm produce by maintaining the priority role of agriculture. Even with relatively high farm productivity (which is not in the least typical of economically backward countries), it is far from being able to cope with this problem.

That is not to say that national economic upsurge, industrialisation or higher productivity of social labour always entail a hasty renunciation of the leading role given to a particular branch of agriculture or to the extractive industry in conditions of international capitalist division of labour. Socialist countries differentiate between such a leading role of a particular sector caused simply by a low level of productive forces and a leading role which is based on advantageous natural conditions, production traditions and the intensive character of production in that sector and enhanced demand for its products on the world market. In the second case, to renounce international specialisation in promoting a given sector and traditional lines of production could only restrict opportunities for the rise of productive forces and harm the entire world socialist economy.

Further development of agriculture (or a certain sector of the extractive industry) as a leading economic sector presupposes its technical rebuilding and simultaneous growth of a number of branches of industry which process agricultural and mineral raw materials to the level that is regarded as economically expedient, the utilisation of processed waste, and also satisfying the needs of sectors of international specialisation for various types of equipment and fuel.

This economic approach is only acceptable with an increase in the techno-economic level of all existing sectors and an ever greater employment in them of achievements of modern science and technology with assistance from fraternal countries. At the same time, the economic complex may increasingly be supplemented by sectors unconnected with this traditionally narrow base of international specialisation. Many of these sectors should, in turn, be included in the international division of labour, widening the type of international specialisation of production in the given country. The whole complex of sectors that form around the sector which determines the traditional type of international specialisation for the country will gradually become only a part of the multisectoral economic complex.

It is a knotty problem to determine what is the rational development for each stage of a range of sectors created in countries dealing with a backward, mono-cultural economy. The resolution of this problem demands a circumspect analysis of many factors. There is the obvious need to avoid harming the traditional sector which determines inevitably, for a fairly long time, the type of international specialisation of the country, to use comprehensively its export possibilities and to increase the economic efficiency of production within it. On the other hand, no less obvious is the short-sightedness of attempts to encourage economic progress by concentrating all efforts and resources to expanding production in that traditional sector without account for its overall effectiveness and at the cost of the great damage done to all other sectors, including those that have recently been set up. The interests of the rise of productive forces dictate the need steadily to form a multisectoral economic complex. The range of sectors in such a complex cannot be identical in all countries; it must be determined by strict account, for example, of the size of population and the capacity of the domestic market and, in particular, on the degree of involvement of those sectors in the international division of labour.

A unique and relatively narrow economic complex is today being established in the Mongolian People's Republic where it is felt inexpedient for the moment to create a national multisectoral engineering industry. Y. Tsedenbal has described the economic tasks of the MPR with reference to the existence of the world socialist system and the growing division of labour among socialist countries which enables this country to avoid unprofitable and inexpedient capital investment for developing a whole range of lines of production; it is felt best to rely on co-operation with other socialist countries concentrating labour and material resources primarily on economic sectors for which the most propitious natural and economic conditions exist. That certainly does not imply a one-sided economic growth; on the contrary, it is only in this way that Mongolia can swiftly obtain a comprehensive economic development.

Despite its limited resources, Mongolia, in 1961-1970, increased the volume of basic production assets by 170 per cent, industrial output 160 per cent, and agricultural output 14 per cent. By 1970, the share of industry in the national income had increased since 1960 from 14 to 20.6 per cent. In conformity with the specific natural and economic conditions of Mongolia, priority in the sectoral structure of developing industry is going to the light and food industries and the livestock processing industry. At the same time, Mongolia is creating and expanding many other industries—coal, oil, non-ferrous and rare metal ores, non-ore minerals, electric power engineering, oil refining, building materials, metal-working (largely repair and maintenance). The export prospects of these sectors are growing: since 1968, Mongolia has been exporting to the Soviet Union spare parts and standards for lorries.

The possibility of forming relatively narrow economic complexes within the world socialist system has nothing in common with the retention of a mono-cultural economy in the industrially backward countries in the world capitalist system. Such a complex presupposes the implementation of measures that ensure better economic efficiency, the full and rational use of labour resources, the growth in their machine-to-worker ratio and, as a result, higher living standards. It entails economically justified participation in the international socialist division of labour subordinated to the tasks of effective use of national resources. It is evident that the formation of such a complex is possible only within the world socialist system on the

basis of the advantages of equal and mutually beneficial economic co-operation among the socialist countries and their fraternal mutual assistance. As the necessary conditions are created and local conditions changed, the relatively narrow economic complex will expand and improve.

The problems of forming a rational economic complex and its involvement in the international division of labour have vital relevance for a country like Cuba.

Cuba is tackling the problem of more fully using her favourable natural conditions for expanding farm production, above all of sugar cane and several other products, particularly citrus fruits. Livestock breeding is also being developed. Agriculture is acquiring a multisectoral character and should be able to satisfy the country's basic agricultural needs, especially for food!

Cuban farming is developing along intensive lines. It is being technically re-equipped with aid from other socialist countries. In 1969, for example, Cuba had 50,000 tractors, while it had only 5,000-6,000 before the revolution. She is creating her own industrial base (production of fertiliser and farm machinery) in order to consolidate the material and technical base of agriculture. It is also ensuring the growth of industries processing agricultural raw materials. These include, above all, the production of sugar and other branches of the food industry, and also light industry using predominantly local raw materials.

The production of sugar is regarded as a sector which should be economically completely efficient, largely determining the export profile of the Cuban economy. One condition for this is the widespread mechanisation and higher agrotechnics level, and especially firm economic links with the socialist countries, which safeguard Cuba from the detrimental effect of capitalist market condition and speculation of the monopolies of imperialist powers. At the same time, Cuba is studying the possibilities for creating several other sectors on the basis of the sugar industry, in particular, the possibilities of widely using sugar products for developing certain branches of the chemical industry.

The Cuban economy will increasingly use other natural wealth, especially the reserves of non-ferrous metal ores and

¹ It is worth noting that before the revolution, Cuba had to import 30 per cent of her entire internal food requirements despite the existence of reserves of farm land and favourable natural conditions for farming.

non-ore minerals. An iron and steel base is developing by expanding and modernising the José Martí factory in Havana and two enterprises attached to it. Cubans attach great significance to strengthening the power industry.

Additionally, as a result of the US instigated economic blockade of Cuba and in order fully to eliminate technological and economic dependence on American imperialism, the Cuban people resolved several urgent specific problems such as manufacturing spare parts for plant that was previously imported and several industrial consumer goods for household use.

At the same time, the Cuban people proceed from the fact that in future socialist industrialisation will embrace a wider area and Cuba will develop a modern industry in an optimum complex. To a large extent the mono-cultural character of the Cuban economy has already been overcome, although sugar production retains its very important economic significance. Industry is developing and agriculture is rapidly becoming varied. While, earlier, sugar cane comprised almost 80 per cent of the gross national product of the country, soon its share will be 20-25 per cent. In a speech he made at the end of 1969, Fidel Castro made the point that "our country is entering a new stage of economic development, a more complicated stage. We are confronted with colossal needs in all spheres—in construction and in industry. We are entering a phase of real industrial development.

"Enemies of the revolution tirelessly reiterated all kinds of absurdities that Cuba had attempted accelerated industrial development but then had to give up and remains a country with a mono-cultural economy. It is very easy to shatter their illusions, for Cuba has never been less a mono-cultural country than it is today....

"Quite correctly we directed our main efforts into agriculture. It was necessary to guarantee primarily the food sufficiency for our people. That was absolutely crucial. At the same time, however, we constructed large power stations, industrial plants, cement works, engineering factories and fertiliser plants. Obviously, they do not yet completely satisfy all our internal needs. But, in the near future, industrial development will occur at the same rapid rate as farming has developed in recent years."¹

¹ *Granma*, November 5, 1969.

Experience of development in the world socialist system testifies to the fact that with close co-operation every country can build an economic structure in the interests of fully employing all production resources and increasing the productivity of social labour.

The developing international socialist division of labour is increasingly influencing the sectoral structure of production in CMEA countries, thereby helping to create sectors and lines of production that are specialised on an international scale. The socialist countries, however, do not regard their participation in international specialisation and co-operation merely as a means of widening the range of sectors of the national processing industry and supplementing the assortment of their products, although new sectors will increasingly be created precisely as specialised spheres on an international scale and largely by virtue of that specialisation. The extension of the range of sectors and production is not an end in itself. Creation of new branches and lines of production is aimed at increasing economic efficiency and is likely only with a consistent delineation of production programmes among co-operating countries. This task is being resolved by using the advantages of international specialisation and co-operation.

It is obvious that a desire simply to possess one's own production of as wide an assortment of products as possible cannot have any economic justification for a country developing in a situation where it can call on the assistance of other members of the world socialist system. The striving of each country fully to cover all its needs at the expense only of its own production would be economically unjustified within the socialist community and, in many cases, simply impossible. Such a policy would lead to an increase in the share of scattered small-scale production; this would entail holding back labour productivity and the development of the country's productive forces. Therefore, a really rational economic complex that ensures a high rate of economic growth can only develop on the basis of careful account of both the internal conditions of each country and all the possibilities of co-operation with fraternal countries.

International specialisation and co-operation of production are more and more becoming a decisive direction of mutual co-operation of fraternal countries in economic progress and the basis of many joint measures for improving the effective use of national accumulation, reducing current and capital outlays per unit of output in each country. The principle of

mutual benefit underlies the measures for co-ordinating plans, for specialisation and co-operation of production within the socialist community. Socialist economists are faced with the task continually to improve methods of economic analysis with the aid of which the division between countries of production programmes will become an increasingly effective means for economising in national manpower, and to find increasingly reliable economic levers to guarantee each country increasing benefit from international co-operation. At the same time, where necessary, socialist countries render selfless assistance to one another in tackling various economic tasks. This includes establishment of the international system of specialisation and co-operation of production.

The trend is increasing in CMEA countries to a division of labour in certain lines of production and manufactured products within the framework of each sector. Here, international specialisation of production is not reduced to specialisation in the output of ready-made goods that are fully produced in a single country; it includes, on an increasingly wide scale, specialisation in the production of individual parts and assemblies and the performance of certain technical operations. The mutually beneficial close production co-operation is being strengthened even more on the basis of that varied specialisation.

The need is increasing today more widely to change from specialisation of goods that are already the object of regular mutual exchange between many CMEA countries, which are suppliers of that product on the international socialist market, to specialisation in the production of manufactured goods, which up till now have only been the objects of exchange on a small scale between CMEA countries (exchanged only between a few countries or exchanged between many countries but in a very small quantity by contrast with the volume of their production and consumption or have virtually not been exchanged at all); the aim is considerably to expand international specialisation and co-operation of production and to realise its advantages in an increasing number of sectors and production lines.

A distinctive feature of the present state of international specialisation within the CMEA countries is the fact that, in many cases, it is manifest in a far greater measure (although still quite insufficiently) in active participation in the international division of labour, i.e., along the lines of export production, than in passive participation in division of labour,

i. e., along the lines of using imports to cover internal needs. This is particularly apparent in the processing sectors of industry, and, especially, engineering. Yet the interests of specialisation require that the CMEA countries along with the expansion of the export of engineering goods in mutual trade should also step up the import of these commodities.

They are only gradually overcoming the still fairly common situation where the export orientation of particular sectors depends not on the volume of production that exceeds internal demands but on the objectives of obtaining currency earnings for paying for essential imports. As long as this happens, there is bound to be a more or less firm trend to restrict imports, especially commodities of the processing industry, at the expense of expanding home production; a vital stimulus may be the difficulty in ensuring the necessary scope of exports due to the growing internal demand for exported commodities and to the high cost and low quality of exported goods.

All the CMEA countries are experiencing a need to promote specialisation and they are working to develop the international division of labour. The present level of international specialisation does not yet correspond to the requirements of the rise of productive forces in the fraternal states. Many potential advantages of division of labour have not yet been realised in practice. The degree of involvement of CMEA countries in international specialisation and co-operation of production even in a sector like engineering is still relatively small. According to statistics published by the Czechoslovak Foreign Trade Research Institute, Czechoslovakia exported only 28.4 per cent of its engineering production in 1966 and imported only 20.8 per cent of all the engineering products its economy needed. A comparison with West European countries that are similar to Czechoslovakia in size of internal market and level of engineering development indicates that Czechoslovakia participates less intensively than these countries in the international division of labour in the engineering industry. In 1966, for example, the share of exports in engineering products in Holland was 49.3 per cent, Belgium—58.4, Sweden—37.0, Switzerland—66.2 and Austria—40.5 per cent; the share of imports in the supply of engineering products comprised 57.1 per cent in Holland, 65.3 in Belgium, 35.3 in Sweden, 57.3 in Switzerland and 57.8 per cent in Austria.

As the CMEA countries develop the international socialist division of labour, they increase the economic efficiency of

exchange of activity among them. If one or another sector is necessary for the comprehensive development of a country's economy or for resolving other economic tasks (for example, a higher employment level), it is created even when the initial level of labour productivity in it is lower than that in the same sector in other countries. The involvement of such a sector in the international division of labour encourages more efficient production within it. Moreover, the comparison of labour productivity levels in analogous sectors elsewhere cannot give any sound indication of the economic efficiency of exportable commodities produced by a country in which the given sector has a lower level of labour productivity. Economic efficiency may be determined only with account for the particular commodities being imported for currency earnings obtained from the export of commodities of a given sector, and depending on many other factors.

This does not completely remove the need to increase labour productivity in those exportable sectors in which productivity is lower than in other countries participating in international trade. It is not simply a matter of higher labour productivity being dictated by the interests of the exporter enterprise, because the results of its economic activity are determined, naturally, in isolation from further operations with the currency receipts that the state receives. It is a matter especially of wanting to see that each sector exporting its commodities should ensure not only a particular economic effect but also a direct currency profitability.

In a situation of developed international socialist division of labour, relying on a sufficiently high level of productive forces within the world socialist system, certain permissible parameters will undoubtedly exist for deviations from the productivity level in a particular branch of production in any one state from the levels reached in the same sectors elsewhere. They may depend on the amount of transport costs in importing goods of the given sector from other countries, the amount and the recovery period of capital expenditure on expanding their production in a country which could export them, and expenditure necessary within the importer state for transferring to other sectors manpower engaged in the production of those commodities and there may be several other factors. That criterion will have a growing effect on improvements of national economic complexes.

For a fairly long time, however, that criterion will apply to rather limited bounds, first, because of the short supply of

several types of product both in individual states and the world socialist system as a whole; second, the still incomplete exhaustion of reserves of manpower in many states; third, the limited nature of material resources; fourth, the great gaps in economic levels of individual states which cause difficulties in promoting commerce between them, and the inadequacy of their export resources and import capacity for arranging a consistently rational international exchange of activity.

Extended international division of labour produces a need to reach a higher labour productivity level in sectors that determine the type of international specialisation of a given state's national economic complex, by contrast with the productivity level in the same sectors of other countries which had served their home market until then. This need is already being felt today; international specialisation and co-operation of production within the socialist community and its effectiveness for all participants very much depend on the extent to which it will be considered.

The international division of labour extends with the creation of sectors that are new for various countries and with the existence in each country of a certain complex of sectors. The formation and development of a national complex is an overriding principle in regard to the international division of labour; a basis for international specialisation is laid during the development of that complex. Hence the need to avoid an abstract approach to problems of enhancing the international division of labour, to take into consideration existing production capacities and the interests of its complete employment. At the same time, with a careful analysis of the specific situation, higher economic efficiency of production in many instances cannot be achieved without reforming economic programmes and overcoming the difficulties associated with them.

It is of great importance to the socialist countries, especially the small and medium ones, to be able gradually to move away from building projects that require smaller expenditure and more rapid recuperation of investment towards the building of projects that demand more considerable economic effort, to be able to face the objectives of industrial reconstruction of the economy and radically to change the direction of production in favour of those lines of production for which favourable conditions exist and which, at a given moment, may to a greater extent facilitate a rapid increase in economic accumulation. Close collaboration frees the socialist states of the need to promote an extremely wide-scale complex of lines of produc-

tion, enables them to plan for higher growth rates of individual sectors in accordance with their economic potential and thereby to obviate overloading their economy, which could have a bad effect on the growth in efficiency of social labour expenditure and of living standards.

That by no means implies any retention of the extant economic structure or a slowing down of structural changes. On the contrary, the international division of labour encourages progressive changes in the economic sectoral structure, a rational assortment of products which brings greater economic efficiency of social production. Thus, the international socialist division of labour has promoted a rapid development of engineering in Bulgaria. By the end of the 1960s, Bulgaria was specialising, within the CMEA framework, in the production of approximately 130 types of engineering products. This specialisation created in several sectors the conditions for a profitable exploitation of special assemblies and automatic lines. In several products, Bulgaria is manufacturing enough to enable her to satisfy a large part of the import requirements of CMEA member countries. For example, Bulgaria has now become the No. 1 European producer and the No. 2 world producer of electric trolley cars, while she leads the world in their exports.

A growing amount of mutual deliveries of engineering products is taking place on the basis of far-reaching structural changes and, particularly, of a rapid increase in engineering exports from countries that used to be backward and agrarian.

The correct dovetailing of the individual socialist economies, which is a principal sign of their economic coming-together, is of great importance to the greater international socialist division of labour. The world socialist system does not accept a dovetailing based on radical differences in levels of development and sectoral structures. The dovetailing of economies of an industrial and a backward country in capitalist conditions is inseparable from relations of domination and subordination; it serves the interests of the more powerful partner which strives to preserve the backwardness of the other country. Under socialism, economic relations between industrial and formerly economically backward states are a means of promoting the national economies of the less developed countries, are based on the principle of mutual benefit and selfless assistance from the industrial states.

Nonetheless, a great divide between economic sectoral structures hampers the use of the advantages of the interna-

tional socialist division of labour and it reduces the opportunities for mutually beneficial co-operation both for industrial and for economically less developed countries. The basis for a genuine dovetailing develops not by radical differences in economic sectoral structures but by a multisectoral structure, the existence in each state of basic economic sectors with a variety of different subsectors and, especially, a differentiated assortment structure of production within each sector.

The present economic complexes' structures of CMEA countries cannot fully be termed complementary. This is mainly due to the differences in their economic levels, to the insufficient degree of development in many states of major industrial sectors which serve as the springboard for participation in international economic co-operation. The features of sectoral structure of socialist countries which hamper their economic rapprochement cannot be reduced to features caused by an insufficiently high level of economic development of many of these countries. An inadequate differentiation among states of assortment structures of production, inadequate account for the efficiency of various directions of development of production sectoral structure, economically unjustified duplication within the confines of subsectors and lines of production in various states also prevent complementary development of national economies.

The lack of sophistication of sectoral structure, manifest in the absence or inadequate development of major industrial sectors, and a consequent low level of productive forces in a given country may be overcome as the country attains a higher level of economic progress. But, an unjustified duplication of production programmes in various states cannot be removed so automatically and, in certain circumstances, may even increase. Much work is required in encouraging international specialisation and co-operation through co-ordinating socialist economic plans, if these deficiencies are to be removed or averted.

The range of sectors involved in international specialisation will expand every year. A rational inter-sectoral specialisation will be maintained with the difference, however, that at present it is still dictated by an insufficient economic development in certain countries and their contemporary production possibilities; in the future, it will depend on the advantages of the international division of labour with increasing evenness of economic development levels; the effect of factors caused by the capitalist legacy will completely disappear. At the same

time, the strengthening of all socialist economies will tend to improve their sectoral structures and will be accompanied primarily by the creation of modern sectors that have great importance for scientific and technical progress.

Co-operation of socialist states will increase within the framework of each sector. Both old and new sectors will develop in each country on the basis of international co-ordination. Intra-sectoral specialisation will predominate over inter-sectoral one in the process of the international socialist division of labour. Intra-sectoral specialisation will itself improve: thus, countries will increasingly change from specialisation in individual finished goods in the engineering industry to specialisation in the production of individual parts and assemblies.

The international division of labour is a vital factor helping to even out economic levels of the socialist countries. This process, however, does not mean that all differences in sectoral structures of national economies will disappear nor that all countries will have an identical balance between industry and agriculture, between the extractive and processing industries. Naturally, in countries with a large agricultural area and favourable soil and climatic conditions, farming will play a more important part than in countries with a small farm area and inpropitious natural conditions. Likewise, countries which have many mineral deposits suitable for economically efficient processing will direct a larger part of their labour force and material means to this area than will countries that do not have important mineral deposits. Consequently, the share of the extractive industry in total industrial production will be higher in some countries than in others.

The complementing of sectoral structure and expansion of assortment structure of production in CMEA countries are often associated with economically unjustified duplication which hampers greater international division of labour. This is by no means caused by the requirements of foreign trade but by internal requirements or, to be more exact, obstacles in the way of satisfying internal requirements by means of commodity imports.

Despite the wide-scale international economic contacts and the high share of exports in engineering output, the extremely wide range of engineering products manufactured in the German Democratic Republic and Czechoslovakia stems largely from internal requirements, and this is a major reason for the small share of serial production. However, the wide range

is itself inevitably causing a limited scale of production of individual types of output which has to forfeit a size that, from the techno-economic standpoint, is optimum, because production capacities (whose expansion is limited by the existing capital investment and manpower) is used in a scattered way and prevents a larger scale of production.

To overcome such deficiencies, the CMEA countries are working out policies for mutually agreed economic development in which each country would be able to promote exports of specialised output and, thereby, increase the currency reserves for the imports of manufactured goods it does not produce.

The CMEA countries pursue a policy of rational restriction of assortment structure of production with account for local conditions and opportunities and the tasks of increasing economic efficiency. This they do with strict account for the interests of overall economic development of each country and, particularly, for extending in any country modern sectors of the processing industry concerned with producer goods. At the same time, through co-ordinated national plans, they ensure the constant complementing of output range over the whole community and the development of new types of output.

Specialisation creates favourable conditions for speeding up the growth in production of corresponding output. The share of specialised products in the aggregate engineering output of CMEA countries and in their exports of these goods is rising. As a result of decisions on international specialisation, Bulgaria is developing the production of many types of electrotechnical goods, vessels, farm machines and equipment for its canning industry; Hungary—the weak current electrotechnical industry, instruments and equipment for the food industry; the German Democratic Republic—rolling and chemical equipment, plant for cement factories, metal-working machines, precision engineering and optics; Poland—waggons, ships, certain types of heavy engineering equipment, metal-working tools, plant for the electrotechnical industry and the motor industry; Rumania—equipment for extracting and refining oil, for the paper industry and farm machines; Czechoslovakia—metal-working tools, rolling equipment, power and chemical plant, machinery for sugar refineries, diesel engines, etc. One example of specialisation in parts and assemblies is the delivery from Czechoslovakia of shafts for ship engines manufactured in Poland, several assemblies and engines for

combine harvesters manufactured in Hungary; deliveries from Poland to Czechoslovakia of forgings for the manufacture of stem turbines and turbo-generators, and so on.

The sector specialising on an international scale does not develop in isolation from other sectors of the country's economy or from the resources and requirements of that economy. As a rule, it is either based on existing natural resources of raw materials or is closely connected with other sectors by serving them. This association with the prevailing economic complex is an even greater encouragement to make international specialisation of a particular sector an important lever for full and rational use of national resources.

Thus, the type of international specialisation of Bulgarian engineering industry will increasingly be determined by several engineering sectors closely connected with the economic conditions of the country. Among them are electrical engineering and electronics, which are based on the extraction of non-ferrous metal ores in Bulgaria and on Bulgarian iron and steel industry (Bulgaria is a country with greatest per capita production of lead, zinc and copper). To the USSR alone, Bulgaria delivered in the period 1966-1970, 83,000 electric trolley cars and motor trolley cars, 140,000 electrotelpheres, 675,000 different types of electric motors and a large amount of other engineering output.

The fact that these sectors require much manpower with less capital investment per working place than in other sectors tells in favour of specialisation in Bulgaria. This is important because Bulgaria has resolved the task of utilising labour resources more fully and, over the long term, the share of agriculture in total employment will continue to fall.

Bulgarian engineering will specialise, in particular, in the production of farm machines and plant for the food industry; this is due to the great demand for these products from the domestic market and to the favourable conditions for promoting these sectors and their great export importance.

Czechoslovak engineering is orientated mainly on commodities that require considerable expenditure of highly skilled manpower and a high degree of processing of ferrous and non-ferrous metals (weak-current electrical engineering, complex metal-working machines, plant for the textile industry, and so on). Czechoslovak engineering, however, specialises internationally in several sectors of metal-intensive heavy engineering (manufacture of iron and steel equipment and power plant, equipment for the chemical industry and so on);

this is justified by the presence of an advanced iron and steel base and accumulated production experience.

Although sectors engaged in international specialisation are intended to produce an output on a scale that considerably exceeds the capacity of the internal market, contacts with that market can play an important part in promoting the specialised sector. On the one hand, the existence of production capacities and experience associated initially with the need to satisfy internal demand serves as a base for involving the sector in international specialisation; on the other hand, the internal consumption of part of that output will continue to encourage a study of its operational characteristics and ways of improving it.

The manufacture of equipment for the brown coal industry in the GDR is a good example of a sector moving into the foreign market which originally was created for satisfying internal needs. Because of the need rapidly to increase extraction of brown coal in the GDR during the first five-year plan period, engineering sectors were developed to manufacture a variety of plant for open-cast mining and the briquetting of coal. Subsequently, the production capacities created and experience accumulated were used for satisfying the requirements of fraternal socialist states which also were substantially expanding their extraction of brown coal. Nowadays, the German Democratic Republic satisfies, virtually completely, all the requirements of CMEA countries for equipment for the brown coal industry.

The economic effect of concentrating production of identical commodities, which lies behind the advantages of production specialisation, is very considerable.

Hungary and the USSR, for example, have signed an agreement on co-operation in the production of buses and lorries. Hungary is to produce special-purpose buses and lorries with carrying capacity of 8 and 12 tons, on the basis of unified assemblies. The substantial serial production is assured by large orders from the Soviet Union and other countries. Due to the export deliveries, the serial production of buses is to increase from 2,300 in 1963 to 2,900 in 1966 and from 6,000 in 1970 to 11,000 in 1975.

The Ikarus bus works is to become the biggest such enterprise in Europe outside the USSR. Already by 1970, the serial production was virtually double that achieved in recent years by the largest bus works in Western Europe (3,500 buses annually).

The economic benefits of Hungarian automobile production also increased due to the Hungarian-Soviet exchange of parts and assemblies. The Soviet Union is delivering front axles, cardan shafts, mechanical gear boxes, shock absorbers, springs, etc. Some Hungarian assemblies and parts are being used in the Soviet motor industry, and this enables Hungary to increase the serial production of that output.

CMEA agencies are working out recommendations for specialisation and co-operation of production. These recommendations are intended to ensure a fairly high concentration of production of specialised types of output. A wide range of plant and equipment is covered in the recommendations on specialisation: metal-cutting lathes and forging and press equipment, basic equipment for open-cast mining of ores and non-ore minerals, rolling equipment, chemical, technological and oil-refining equipment, basic types of plant and machinery for mechanising construction and road building, for the textile industry, sea-going, transport and fishing vessels.

During the co-ordination of plans for the development of engineering and extending international division of labour within it, CMEA countries had a chance to get acquainted with each other's national production programmes; they specified the range of products and the size of mutual deliveries of plant and equipment. All the same, a large part of recommendations only ratified the status quo, avoiding any strengthening of economically unjustified duplication in the production of individual types of engineering products in the CMEA countries. Therefore, the concentration of production covered in the specialisation recommendations is still not very high and its output does not yet correspond to optimum limits. Nevertheless, the specialisation recommendations in several commodities enabled countries to remove duplication and to increase the level of concentration.

While they co-ordinated their engineering plans for 1966-1970, they established that the production of certain engineering goods was exceeding the total internal requirements of CMEA countries and the possible volume of exports to other countries. This includes certain types of metal-working machine tools and electrotechnical plant. At the same time, they noted the existence of underemployed production capacities with unsatisfied demand for corresponding types of output. This enabled them to improve the use of engineering capacities.

In the current period, the CMEA countries intend substantially to step up activity in co-ordinating the development of engineering and promoting international specialisation and co-operation within it. This will be encouraged by greater joint planning of several lines of engineering production, a more concerted approach to technological development, capital construction and marketing in the process of extending the international socialist division of labour in the engineering industry, the further standardisation of basic parameters of plant and machinery, definition of their typical specifications, the ensuring of the interchangeability of various mechanisms and assemblies. Work on specialisation and co-operation will very much be based on results of special techno-economic research in various groups or types of products. The practice of making mutual engagements in specialisation and co-operation in the form of agreements on specialisation and co-operation or contracts on deliveries of specialised products will also play an important role. These contracts establish the rights and duties of parties and the conditions and guarantees for implementing specialisation and co-operation.

The foundation is gradually being laid in the CMEA countries for an economically viable solution to the problem of developing the motor industry by overcoming, on a co-operative basis, the irrationally small production that exists in many CMEA countries. The USSR, for example, has concluded agreements on production co-operation in motor output at its Volzhsky Motor Works with a number of socialist states. Thus, Hungary will supply certain car parts to be used in the assembly of half of the motor cars planned to be built at the Volzhsky Motor Works. These supplies will be paid for by export to Hungary of finished cars.

The CMEA countries have started joint development, along the lines of international co-operation, of the production of electronic computers and plant for atomic power stations.

Iron and steel production in the CMEA countries may serve as an example of successful co-operation. Large-scale iron and steel plants have been constructed or are being expanded through mutual deliveries of modern equipment, mainly from the Soviet Union, due to scientific and technological co-operation and often through regular supplies of raw materials, especially from the Soviet Union. Such plants include the Lenin Iron and Steel Works and the Kremikov Plant in Bulgaria, the Dunai Wašmű in Hungary, the Ost Plant in the GDR, the Lenin Plant, the Boleslaw Bierut Plant and the

high-grade steel Warszawa Plant in Poland, the Galati Plant in Rumania, the Kuncic Plant and the East Slovak Plant in Czechoslovakia.

Soviet supplies of raw materials for the iron and steel industry are of particular importance to the CMEA countries. Deliveries of Soviet iron ore today account for between 47 and 84 per cent of the needs of individual CMEA countries. Their overall production of steel grew 1.5 times faster than the world rate in the period 1951-1970. Per capita steel consumption has increased in all the CMEA countries taken together from 132 kilograms in 1950 to 394 kilograms in 1967. Success in guaranteeing the supply of metal to all CMEA countries is evident in the fact that since 1962 all CMEA countries taken together have become "net" exporters of rolled ferrous metals. Exports of rolled metal now exceeds imports. Measures intended to ensure higher efficiency of metal use in the economy are today vital to the development of the iron and steel industry. These measures include improving metal quality and increasing production of economical types of rolled metal. CMEA countries are also focusing attention on improving techno-economic indicators of iron and steel production. To this end, they are applying concentration of ores, oxygen-converter production, continuous steel ladling and other more productive units and technological processes.

International specialisation in the iron and steel industry encourages production growth in the iron and steel industry and higher economic efficiency as well as better satisfaction of metal requirements of individual states. In conformity with CMEA recommendations, Hungary has extended production and supplies to other CMEA countries of sheet rolled metal, the GDR—of high-grade rolled metal, Poland—of hot- and cold-rolled sheets, Rumania—of steel pipes, the USSR—of shaped and sheet rolled metal, and Czechoslovakia—of shaped rolled metal, rolling stock and hot-rolled bands. In the years to come, CMEA countries will co-operate even more in the iron and steel industry, improving the structure of the production and consumption of rolled metal and pipes, co-operating in processing ingots and bars for further treatment, developing production in Bulgaria of manganese alloys and in the USSR of definite types of ferroalloys with the intention of exporting them to interested member countries of CMEA which help to promote the capacities of ferroalloy production and other items.

As international socialist division of labour increases, on the other hand, the countries take more complete account of their conditions for promoting iron and steel production and expand production co-operation between the iron and steel industry and the engineering industry of different countries. Thanks to Soviet deliveries of ferrous metal products, in many CMEA countries the rate of development of engineering has exceeded and continues to exceed the rate of growth of their own iron and steel industry. In Bulgaria, for example, engineering began to grow even before a native iron and steel industry was created. Cast iron imports from the Soviet Union enabled Bulgaria to start establishing its own iron and steel industry not from an organisation of blast furnace production, but from the construction of open-hearth furnaces and rolling mills. Shortly after, Bulgaria established a complete metallurgical cycle, even though the country continues to complement its resources of ferrous metals by Soviet imports.

The needs of the CMEA countries for metals are still not fully met. It is therefore particularly important to complete the construction of giant iron and steel works in Bulgaria, Czechoslovakia and Rumania, and to increase metallurgical capacities in other countries. Much attention is being paid to increasing metal output in the Soviet Union. The complete cycle of iron and steel production, however, is developing primarily in countries which possess their own ore or coking coal. Such countries as Hungary and the German Democratic Republic do not plan widely to promote the iron and steel industry, especially the further expansion of blast furnace production, because they have virtually no metallurgical raw materials. The shortage of ferrous metals in the European socialist states will increasingly be covered not by expanding the smelting of cast iron with raw materials transported from afar but by increasing the imports of rolled metals and cast iron.

In this connection, it will be exceedingly important for the fraternal countries to have a large iron and steel works built in the USSR, with the participation of interested countries, which will supply member countries of Intermetal with semi-finished goods and finished products. In its role in increasing economic efficiency of production in the given countries, this works will stand alongside such economic giants of international importance as the Mir integrated power grid or the Druzhba trans-Europe oil pipeline.

On the other hand, the part played by international specialisation is growing directly in steel smelting and in the production of rolled metal; on this basis, exchange is increasing of different types of steel, the contours and volume of rolled metal. This enables countries more fully and rationally to exploit the production capacities of iron and steel works and to improve their techno-economic indicators. Interest in greater co-operation has required the creation of special organisational forms. In 1964, Hungary initiated an agreement signed by itself, Czechoslovakia and Poland on creating the Intermetal, an organisation on co-operation in the ferrous metal industry. Subsequently, the USSR, Bulgaria and the GDR affiliated to the organisation; Rumania and Yugoslavia are also currently participating in the work of Intermetal. The organisation is intended to co-ordinate the production structure of rolled metal at enterprises of participant-states on the basis of a quarterly agreement on production programmes, to assist the full loading of production capacities, facilitate an increase in the production of items in short supply, a rational distribution of reserves, co-ordination of capital investment in the iron and steel industry, etc.

According to estimates, specialisation of production of rolled metal in Intermetal countries is already enabling them to increase the degree of employment of production capacities by 3 to 7 per cent (depending on the type of rolled metal) and to lower the production costs by 2 to 5 per cent. Intermetal organises an exchange of information on using production capacities, excess and deficit rolled metal in various countries and thereby helps to increase mutual deliveries, and to improve the use of plant. In 1968, for example, some 400,000 tons of ingots supplied from other countries were rolled at temporarily underloaded mills of other countries; the same number of finished commodities was produced from slabs.

Systematic specialisation of rolled metal production is expanding between members of Intermetal. In 1968, it involved the production of 53 commodities. The work on specialisation is increasing: thus, in Bulgaria a mill at the Lenin Iron and Steel Works will be specialising in the production of shaped and angle iron for the Soviet Union. Various exchange operations are practised with the Intermetal aid. In 1969, for example, the Soviet Union received from Czechoslovakia calibrated steel and delivered small and medium rolled steel, it received cold-rolled sheet metal from Hungary and supplied her with slabs. While, in 1965, the exchange of metal products

between Intermetal states amounted to 950,000 tons, in 1971 this had risen to 2,200,000 tons. Intermetal is working out proposals to implement joint capital investment in the development of an iron and steel base for member states.

In co-operating in the chemical industry, CMEA countries proceed from the fact that it would be inexpedient to introduce international specialisation of production in individual groups of large-tonnage products. Restriction on the range of states producing, for example, plastics, concentrating production in a few states and satisfying the requirements of others through imports would not achieve any worthwhile economic effect. Plastics are becoming a product of increasingly mass consumption; the domestic market of individual states can completely absorb the production of chemical plants at optimum capacity. International conveyance of a large amount of plastics requiring high transport expenditure would be completely unjustified. The production of plastics, chemical fibres, mineral fertilisers, lacquers and dye-stuffs will continue to develop in all CMEA countries.

That does not mean that there is no place in the chemical industry for international specialisation of production. Specialisation is necessary within the bounds of virtually every group of chemical products in the output of certain types, sorts and brands, since the requirements of one country for a given type of chemical product are less than the optimum volume of production. At the same time, the range of types and sorts and brands of each chemical product necessary for the economy of any country is already today very wide and continues to increase. It is an economically impossible task for many countries to create their own production of this entire assortment. Therefore, only by means of international specialisation of production can each country solve the problem of supply of chemical products in the whole necessary assortment and, at the same time, assuring the optimum scale of production of any type of product.

For example, CMEA has recommended producing isoprene rubber in three countries, chloroprene rubber in three, butylene rubber in two, thiocol rubber in two, chlorinated rubber in two, and polyurethane rubber in two countries. The rubber of each of these special brands is produced on a scale sufficient not simply to cover the needs of the producing country, but also to satisfy the needs of other countries.

Since 1962, the CMEA Standing Commission on Agriculture has been conducting international tests on chemical plant

protection agents. On the basis of the results of those tests, held between 1962 and 1964, recommendations were made on the wide-scale use of 37 most effective agents, 15 of which are made in Czechoslovakia, five in the GDR, three in Hungary, seven in Poland, one in Rumania and six in the USSR.

Irrational duplication in the production of various types of chemicals in the CMEA countries has been greatly restricted in recent years; at the same time, the assortment of chemical products manufactured by these countries has greatly been enriched. This has enabled each state to increase the volume of production of identical products and to obtain considerable economic effect.

According to the estimates of Czechoslovak economists, the increased capacities for the manufacture of polyvinyl chloride products from 12,000 tons to 25,000 tons a year makes it possible to reduce capital investment per ton of annual capacity from 4,233 to 3,919 krone, production costs of a ton of output—from 3,035 to 2,915 krone and expenditure of labour time of production workers on producing one ton of output (including storage and dispatching work)—from 16 to 11 hours. In increasing the capacity of production of cord from artificial silk from 5,000 tons to 33,000 tons a year, capital investment per ton of annual output fell from 18,160 to 8,570 krone, costs of production of a ton of output—from 10,600 to 8,600 krone, and expenditure of labour time per ton of output—from 130 to 70 hours.

The international production organisation Interkhim is destined to play an important part in further promoting international socialist division of labour in the chemical industry of several CMEA countries. An agreement on its establishment was concluded in 1969 between the USSR, Bulgaria, Hungary, the German Democratic Republic, Poland and Czechoslovakia. Interkhim began work in early 1970 and is arranging international co-operation in research, production and marketing small-tonnage chemical products with the object of increasing the efficiency of international socialist co-operation.

The production of consumer goods in each country is largely aimed at the home market. Nonetheless, here too, there are quite extensive possibilities for rational international specialisation, particularly in the production of consumer durables (above all in engineering), where international specialisation would mean a considerable increase in serial production in

individual countries with a sensible restriction on types of products.

A situation arises in the light industry where the domestic market presents a demand for an ever-increasing assortment of products and demands an increasing variety of models and types. Yet the production of goods in the desired assortment in every country can only be much less than the optimum volume. Hence the expediency to extend international exchange of consumer goods; this would make it possible to increase the volume of production of similar products in each country and to enrich the variety of commodities on home markets. CMEA countries also take into consideration the need to create in each country such capacities in the light and, especially, food industry which would ensure the complete processing of local agricultural raw materials. The volume of these capacities may surpass the volume of the domestic market and, in such circumstances, the states agree on international specialisation of such sectors and the realisation of their output in the international socialist market.

Alongside the exchange of consumer goods envisaged in trade agreements, the CMEA countries are developing an exchange of these commodities implemented through commodity funds of the internal market of each country for the purpose of increasing even more the variety of goods offered in internal trade. Such exchange commenced back in 1958.

An assortment exchange of goods of the planned fund of the domestic market from current production embraces a large number of basic groups of commodities of the light industry. In recent years, this exchange has particularly helped to expand the supply of cloth on domestic markets of CMEA countries. For example, in Czechoslovakia, cloth obtained by an assortment exchange comprised about 9 per cent of the total internal market fund of woollen textiles and some 6 per cent of furnishing fabric; these supplies amounted to 19 per cent of the market fund of furnishing fabric in the GDR.

It is felt that in order greatly to enrich the assortment of commodities offered on internal markets and rationally to increase serial production, an assortment exchange should grow to about 30-35 per cent of the internal market funds.

Conditions are steadily being created for international specialisation of production in the light industry. Specialisation is under way in the production of technical fabrics, transporter ribbons and footwear fabrics. Specialisation of the production of these and similar products is made easier because their

production and demand in various countries and also the raw material requirements are established and balanced much more easily than with many other light industry products. For example, recommendations have been worked out to prepare specialisation in the production of various articles of technical fabrics, mainly filtration fabrics from chemical fibres for the chemical, sugar and dairy industries, tarpaulin, safety clothing and safety footwear. It is intended to specialise and co-operate in the production of certain selected articles of mass consumption and in certain sub-branches of the light industry. A system of specialisation and co-operation in the light industry guaranteeing optimum volumes of production is to be implemented on the basis of accumulated experience.

It is thanks to the international division of labour that each socialist state is able to overcome the adverse effect on economic development of the uneven location of natural wealth over the socialist community. A lack of various types of fuel and raw materials, the narrowness or incompleteness of a natural fuel and raw material base can be compensated by appropriate supplies from fraternal socialist countries on mutually acceptable terms. Thus, because of the uneven location of natural resources within the world socialist system, the socialist countries do not have to reject the development in each country of a wide range of sectors using various types of fuel and minerals.

It is obvious, however, that it is necessary in many cases to pursue joint measures on a mutually acceptable basis. In particular, to reduce a country's efforts in expanding its extractive industry with account for the import needs of fraternal states, there is evidently a need more widely to involve the material and financial resources of countries interested in obtaining certain types of fuel and raw materials.

Both the export and import of minerals and agricultural raw materials from fraternal states have played and continue to play a big part in the industrialisation of the formerly economically backward countries and in the further development of industry in the industrially more advanced countries, thereby encouraging them to use their labour resources and production capacities.

Thanks to the specialisation of individual countries in exploiting their natural wealth, the socialist countries have organised a wide-scale international co-operation for their use. Thus, the ferrous metal industry of many CMEA countries is based largely on Soviet iron ore supplies and their oil refining

industry uses Soviet oil. Their production of artificial fertiliser is often based on widespread use of potassium salts from the GDR and phosphorus-rich raw materials from the USSR. The aluminium industry of Poland, the GDR and Czechoslovakia processes Hungarian bauxite and alumina. Due to the intensive exchange of fuel and raw materials, individual socialist states are successfully developing the processing sectors of industry and strengthening their power base, despite their lack or small scope of extraction of many types of fuel and raw materials.

A wide range of issues associated with greater sufficiency of fuel and power with minimum outlay are being resolved in the process of co-ordinating plans for developing a fuel and power base. In this connection, the Chairman of the Council of Ministers of Poland, Piotr Jaroszewicz, has said, "For us socialist countries, which are carrying out industrialisation with a great deal of effort, while our initial level 20 years ago was much lower than that of West European countries, the virtually complete attainment of 'raw material integration' is a vital condition for rapid economic development."¹

Inter-branch specialisation has a great influence on the proportions between the extractive and processing branches both within one country and within the whole group of CMEA member countries. The mutual association between the Soviet extractive industry and the processing industry of the European CMEA states is apparent, for example, in the existing stable proportions between the Soviet ore-extracting industry and the iron and steel industries of many socialist states, between the oil-extractive industry of the Soviet Union and the oil-refining and petrochemical industries of those states, and at a higher stage of processing—between Soviet iron and steel industry and the engineering industries of other CMEA countries.

Soviet oil is the basis, for example, of the large-scale oil-refining and petrochemical plants in Schwedt in the GDR, Plock in Poland, Bratislava in Czechoslovakia, Szazhalombatta in early 1966, satisfying half of the GDR's own requirements in early 1966, satisfying half of the GDR's own requirements for petrol and 45 per cent for diesel fuels.

The USSR bears the brunt of the fuel and raw material supplies to CMEA countries. The share of these products in

¹ *Zycie gospodarcze*, No.21, 1966.

aggregate Soviet export to other CMEA countries is increasing. At the same time, it is raising its share in the overall volume of mutual fuel and raw material deliveries of CMEA countries. It believes firmly in the need further to promote by joint effort the fuel and power and the raw material base in order to ensure that the fuel and raw material requirements of all countries in the community are met on mutually acceptable terms.

The share of fuel, minerals and metals in the raw material exports of Hungary, Czechoslovakia and Poland is also relatively high; this is because these countries have an advanced extractive industry of great export importance (in Hungary—bauxites, in Poland—coal, etc.) and a fairly insignificant role of agriculture in shaping the raw material export structure. The German Democratic Republic has a high share of chemicals and fertilisers in her raw material exports due to the very high share of the chemical industry in its gross industrial output by comparison with all the other CMEA countries and to the existence of rich deposits of potassium salts. Bulgaria and, to a lesser extent, Rumania and the Soviet Union have a relatively high proportion of vegetable and animal raw materials in their total raw material exports.

There is a marked tendency in the CMEA countries to fuller internal use of existing fuel and raw material resources. This is evident primarily in the expanding geological prospecting and growing extraction of raw material and fuel. At the same time, some countries are increasing the share of domestic consumption of fuel and raw materials and, correspondingly, reducing the share of these commodities destined for export (in some cases, exports of certain types of fuel and raw materials are diminishing in absolute terms as well as relatively). The part of these products which is no longer exported is being employed internally for the production of exported finished products.

Overall, the growth in mutual deliveries of raw materials, fuel and other materials among CMEA countries has somewhat slowed down of late. The problem of fuel and raw material supplies of most socialist states has become more acute. That is largely due to the restricted nature and non-comprehensive character of their own resources of fuel and raw materials in many countries, while their own economic demands are growing for an increasingly wide variety of these products; it is also due to the unsatisfactory rate of reduction in expenditure of fuel and raw materials in the production of various products.

The essence of the raw material problem lies in the fact that the existing economic conditions of production and exchange of fuel and raw material products within the world socialist system often do not encourage sufficiently a full employment by each country of its resources for satisfying both its own requirements and those of other countries. In all types of fuel and raw materials, it is not a matter of the absence of reserves within the bounds of the entire world socialist system in general, but of the lack of the right economic stimulus to exploit them.

The mechanism of international co-operation is still insufficiently sophisticated for exploiting the fuel and raw material sources in the most effective way; this prevents a wide international redistribution of capital investment (on the principle of credit or in the form of creating joint enterprises) in the fuel and raw material sectors so as to make investment as much as possible wherever they give the greatest economic effect. Nevertheless, the increasing pooling of efforts of socialist countries, the extending division of labour and improving the system of material interest of countries can go a long way to facilitating the development of a fuel and raw material base for the whole community, expanding the potential for international specialisation in exploiting deposits located more advantageously.

The following figures bear witness to successful co-operation in tackling the energy problem. In 1955, exchange of electricity among CMEA countries occurred basically through five lines supplying, in the main, individual border regions and amounted merely to 562 million kilowatt-hours. Expansion of co-operation in this field was encouraged by the creation of the Mir integrated power system. The first stage in its establishment was the construction of inter-system transmission lines with a voltage of 220 kilowatts between the power grids of the GDR and Czechoslovakia, the GDR and Poland, Poland and Czechoslovakia, Hungary and Czechoslovakia. The power grid of the Western regions of the USSR was linked up with the joint systems in 1962. Subsequently, the Rumanian and Bulgarian grids were switched in to the parallel work with joint grids. Mutual supplies of power amounted, in 1963, to more than 3,000 million kilowatt-hours, in 1964—4,500 million, in 1965—over 5,000 million kilowatt-hours. In 1966, the parallel operation of power systems had 14 lines and the overall electricity exchange during the year was 5,800 million kilowatt-hours; in 1972, it had reached 20,500 million

kilowatt-hours; at the beginning of 1971, the Mir grid had power stations with a total capacity of some 55 million kilowatts.

The establishment of the Mir integrated power grid has enabled the CMEA countries to economise on capital investment in the power industry since the national power grids can now exploit fewer reserve capacities thanks to mutual assistance in possible danger periods and the non-coincidence of maximum load periods in different countries. The peak loading of joint power systems is lower than the sum total of peak loading of the power systems of individual countries. This is due to the difference in their geographical location and the consequent different growth of loading in a given period of time, and to the difference in the sectoral structure of electricity consumption. The physical difference between the total maximum loads of individual power systems and the joint maximum load within the Mir grid was, in 1967, 1.8 per cent of the established capacity of the power stations of the joint power grids.

The different share of hydroelectric and thermal power stations in individual countries is also of importance. For example, in Poland hydroelectric stations play a smaller part in electricity generation than in Czechoslovakia. During the rainy spring season of 1962, Poland had a shortage of electricity and Czechoslovakia increased its generation of electricity at hydroelectric stations and was able to come to Poland's assistance.

Here is another example of mutual assistance: because of the severe frost and snow in the winter of 1969, Czechoslovakia experienced difficulties in supplying its power stations with the requisite amount of fuel; this had an adverse effect upon the generation of electricity. During these temporary difficulties, the USSR and the GDR rendered Czechoslovakia assistance with electricity supplies.

Each CMEA country has considerable untapped opportunities for increasing farm output for the purpose of expanding domestic consumption and economically viable exports of certain products. The expansion of co-operation in strengthening the material and technical base of farm production and the specialisation in the output of farm products are to serve as an increasingly important factor in promoting agriculture in CMEA countries.

In that connection, one should note the opinion voiced in Czechoslovak literature that even for countries like Czechoslovakia and the GDR, which have a relatively small area under

cultivation per head of population, the present passive involvement in the international socialist division of labour in agriculture (i. e., their operations on the international market for farm produce basically as importers) is caused not by the overall size of farm lands but by the inadequate use of these lands and other natural conditions.

It would, it seems, be wrong to regard a country's participation in the international division of labour in agriculture, both in the short and long term, only as a secondary factor complementing the effect from wide-scale industrialisation and the creation of a multisectoral processing industry. Improvement in economic indicators in farming has an important independent significance for raising the productivity of social labour and national income, which can and must fully be manifest in foreign economic ties.

A number of recommendations were worked out in 1958 and 1959 for international specialisation in the output of various types of farm produce (vegetables, fruits and grapes); these were approved by the 12th CMEA Session in 1959. They were based on the prevailing differences in soil and climatic conditions and intended to encourage fuller employment of potential for increasing certain types of farm produce in order to satisfy the requirements of socialist countries. Bulgaria, Hungary and Rumania expanded exports of vegetables, fruits and grapes, both fresh and processed, from 596,000 tons in 1955, 1,448,000 tons in 1960 to 1,905,000 tons on average for the period 1966-1967 (evaluated in fresh products).

Agreements were made in 1964 and 1965 on the volume of deliveries among CMEA countries of high-quality seeds, sowing materials of farm cereals, pedigree livestock and poultry for the period 1966-1970. In 1966, mutual deliveries of high-quality seeds and sowing materials amounted to some 1,700,000 centners. The German Democratic Republic and Poland, which have the most favourable conditions and experience for growing seed potatoes, annually supply other CMEA countries with 55,000-66,000 tons of high-quality seed potato; Bulgaria, Hungary and Rumania supply the German Democratic Republic, Poland and Czechoslovakia with hybrid maize seeds, and so on.

In the course of co-operation in seed-growing, the CMEA countries carried out several measures intended to encourage more high-quality varieties of cereals with higher yields. As a result of international tests, over 70 new varieties and hybrids of cereals, raised by plant-growers of these countries, have

been introduced in conformity with local conditions. This has greatly helped to increase the harvests of wheat, maize, sunflower seeds, sugar beet, etc. For example, Bulgaria, Hungary and Rumania now have a widespread sowing of a winter wheat known as Bezostaya 1, which is a Soviet plant-growing. In 1967, 84 per cent of the entire sowing of winter wheat in Bulgaria was made with this variety. The use of this variety of wheat has led to an increase in yield of approximately five centners per hectare. The complete replacement of local varieties of sunflower seed by oil-rich varieties of the Soviet plant-growing has enabled Bulgaria to increase the average oil-bearing yield of sunflower seeds from 31 per cent in 1956 to 44 per cent in 1966. As a result, due to the replacement of varieties alone, an extra 50 million litres of sunflower oil was obtained. The introduction of winter and spring wheat and potatoes in CMEA countries, raised by the plant-growers in the GDR, varieties of winter barley and sugar beet from Hungarian plant-growing, varieties of sugar beet and potatoes from Polish plant-growing, and varieties of vegetables from Bulgarian plant-growing are all playing an important part in CMEA farm production.

We can see that co-operation in agriculture has also become an important factor in increasing its production and efficiency.

LENINIST THEORY OF IMPERIALISM AND THE GROWING CRISIS OF THE WORLD CAPITALIST ECONOMY

Marxist-Leninist parties are turning their attention to the new phenomena and processes at work in the capitalist world. They stress the importance of such a study for determining the programme of anti-imperialist struggle, basing themselves on the notion that "the Leninist theory of imperialism provides the key to an understanding of the specific features distinguishing imperialism at its present stage of development".¹

Signs of imperialism's decay have increased of late and its nature as the final stage of capitalism is even more manifest, directly bringing society to socialism. Its general crisis is deepening as the capitalist system further declines and its internal contradictions become more acute.

Contemporary capitalism is not only no longer the only world social system, it has completely relinquished the historical initiative and is forced to adapt itself to the new situation and conditions of struggle between the two opposing world social systems. The internal processes of development in the capitalist countries and their international ties and foreign policy are experiencing the ever-increasing impact of the growing might of world socialism and its attractive force for all downtrodden and exploited people, the strengthening international working-class movement, the disintegration of the colonial system and the fight of the young national states for complete independence and social progress.

At the same time, contemporary capitalism is increasingly being affected by the scientific and technological revolution

GROWING CRISIS OF WORLD CAPITALIST ECONOMY

239

which, on the one hand, opens up new possibilities for economic advance and, on the other, exacerbates all the contradictions of the capitalist mode of production. The Central Committee report to the 24th Party Congress noted: "The features of contemporary capitalism largely spring from the fact that it is trying to adapt itself to the new situation in the world. In the conditions of the confrontation with socialism, the ruling circles of the capitalist countries are afraid more than they have ever been of the class struggle developing into massive revolutionary movement. Hence, the bourgeoisie's striving to use more camouflaged forms of exploitation and oppression of the working people and its readiness now and again to agree to partial reforms in order to keep the masses under its ideological and political control as far as possible. The monopolies have been making extensive use of scientific and technical achievements to fortify their positions, to enhance the efficiency and accelerate the pace of production, and to intensify the exploitation and oppression of the working people".¹

The far-reaching shifts in the world capitalist economy reflect the considerable changes within the mechanism of extended reproduction of capital on a national and an international scale. These changes are a consequence of the mounting lack of conformity between capitalist social relations and the requirements of the development of productive forces and the needs of social progress in general; at the same time, they widen the gap even more. Under the impact of these changes, shifts are occurring in the dynamics and proportions of world capitalist production; the terms and scale of international movement of commodities, capital, scientific and technical information and labour force are changing; some relationships between national economies are weakening, while others are growing strong; the power balance between various monopoly groupings and states is changing.

The development of the world capitalist economy shows how right Lenin was to criticise the opportunist theory of "ultra-imperialism", "general exploitation of the world by internationally united finance capital", the transfer from "national" to "supra-national" organisation of capitalist society. This opportunist theory put forward in an open or masked form apologetic views to prove a reduction in the uneven develop-

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p. 141.

¹ 24th Congress of the CPSU, p. 20.

ment of the world capitalist economy and to play down the contradictions within it. Events have again shown that the uneven economic and political development and aggravation of contradictions are inherent in capitalism and a law of its development.

An important aspect of world capitalist economic development today is that the social process of disintegration of that economy is to some extent running ahead of the disintegration of the international capitalist division of labour. This is apparent primarily in the fact that a zone of national liberation has arisen with a group of young progressive states having an opportunity for non-capitalist development, even though they are still mostly linked economically to latter-day capitalism in which the dominating role belongs to the imperialist states. The newly independent countries have not yet overcome their economic dependence. Such a situation is historically natural and, for a certain time, inevitable, because the establishment of a new national economic sectoral structure in the developing countries, rise of their productive forces and a complete break with predatory foreign economic ties are all impossible within the old social structure of their economy but presuppose their substantial advance along the road of social progress. It is, however, important to underline something else: within the world capitalist economy, despite the continuing "traditional" unequal international economic ties, qualitatively new elements of social development are being accumulated which bring closer to realisation the prospect of a further decline in that economy.

The downfall of colonialism dealt a severe blow to imperialism. It led to certain shifts in imperialist exploitation by virtue of the need to adapt the system to the loss of direct political control over the former colonial possessions. That does not mean, however, a complete loss of control by imperialist monopolies over the resources of the developing countries; nor does it mean an end to imperialist exploitation of these countries. At the same time, imperialist exploitation has acquired a new face. Neo-colonialist methods are now accessible to big and small capitalist states at a time when colonial empires have crumbled, large imperialist states have lost monopoly possessions of "their" colonies and when small economically advanced capitalist states have accumulated surplus capital. The countries that previously had no colonies are today involved in exploitation of economically underdeveloped states on a neo-colonialist basis. The economy of these

states has become more than ever an arena of penetration and competition of monopolies from various imperialist states. Neo-colonialism has acquired its own brand of "collectivism".

One of the principal manifestations of the aggravation of contradictions in the world capitalist economy today is the growing struggle between the two tendencies, revealed by Lenin, in capitalist economic development. Imperialism, Lenin wrote, displays a tendency, inspired by the existence of monopolies, to stagnation and decay, a disappearance to a certain extent of the motive cause "of technical and, consequently, of all other progress". This tendency towards stagnation and decay "in some branches of industry, in some countries, for certain periods of time ... gains the upper hand".¹ In making this point, Lenin warned against absolutising the tendency, against ignoring the whole complexity and contradictory nature of imperialist economic development. "It would be a mistake to believe," Lenin wrote, "that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies."²

An understanding of these tendencies provides the key to comprehending the processes of the development of productive forces of the world capitalist economy and the reasons for the unevenness of their growth. While capitalism in the inter-war period had a sharp cut-back in production growth rate by comparison with that attained in the last decade of the 19th century and the first decade of the 20th century, despite the 1900-1903 crisis, capitalist states in post-war period have attained considerably higher rates of growth. Within the group of economically most developed capitalist states, the average annual increment in the gross national product in the last two decades—i.e., in the 1950s and 1960s—exceeded 4 per cent, while in the period 1913-1950 it was only 1.9 per cent and in 1870-1913, it was 2.7 per cent.

In the second-fourth decades of the 20th century, the average annual rate of growth of world capitalist industrial output was approximately four times less than the growth observed in the previous two decades—that is, in the period of establishment of the highest stage of capitalism—imperialism.

¹ V. I. Lenin, *Collected Works*, Vol. 22, p. 276.

² *Ibid.*, p. 300.

The capitalist world underwent a number of grave economic crises: 1920-1921, 1929-1933 and 1937-1938. The period since 1950 has been generally characterised by a considerable acceleration of capitalist economic growth: average annual rate of growth in industrial output reached a record level typical of the two decades at the turn of the century. True, the world capitalist economy has continued to be dogged by great instability. It experienced an economic crisis in 1957-1958 and suffered the effects of crises in Western Europe in 1952-1953, in the USA in 1953-1954, in many economically highly developed capitalist countries between 1964 and 1967 and at the end of the 1960s and beginning of the 1970s. On the whole, however, these states achieved considerably higher economic growth rates since the war than in the inter-war period.

One may conclude that Lenin's writings on the two tendencies in world capitalist economic development remain fully valid in the period of the general crisis of capitalism. It would be wrong to speak of the ability of contemporary imperialism to ensure an uninterrupted advance of the productive forces without crises and depressions, or about a steady slowing down in economic development within the capitalist world. As mentioned at the International Meeting of Communist and Workers' Parties, "We cannot afford to ignore the fact that the imperialism of our day still has a powerful and highly developed production mechanism. We cannot afford to ignore the fact that modern imperialism makes use also of the possibilities placed before it by the increasing fusion of the monopolies with the state apparatus. The programming and forecasting of production, state financing of technological progress and scientific research and steps aimed at achieving a certain restriction of market anarchy in the interests of the biggest monopolies are becoming more and more widespread. In some countries this is leading to a certain enhancement of the effectiveness of social production."¹

The last two decades have seen concentrated efforts by finance capital and the state apparatus of imperialist countries to accelerate the rate of economic growth, to curb and avert economic upheavals caused by the very nature of the capitalist system, and to ensure the greatest possible economic stability. Finance capital is employing objective factors engendered by

scientific and technological progress and stimulating rapid development of the productive forces. Moreover, within the extended reproduction of capital today, the role has increased of the competitive struggle of the largest international monopolies which have the full power of the state machine behind them; this is stifling the tendency towards stagnation and increasing the tendency towards an accelerated development of production. Also, the economic policy of finance capital and of the state apparatus it controls is being formed under the increasing influence of the class struggle on a national and a world scale and is dictated by an urge to weaken economic processes which are especially fraught with social upheavals, a striving to oppose world socialism during economic competition between the two rival social systems so as not to discredit utterly the capitalist system in the eyes of the nations of newly emergent countries.

All this has had a certain influence on the situation within the world capitalist system. The cyclical production slumps have been less marked of late than it was in the inter-war period. Cyclical contractions in American production did not exceed 5 per cent in the 1950s, and 1960s; yet, the US economy experienced frequent crises in the post-war years. Since the mid-1950s, the economically developed capitalist states have usually retained mass unemployment yet they have had for a long period approximately three times less the number unemployed than in the period 1929 to 1938.

Nevertheless despite the accelerated development of productive forces in the capitalist world at the present stage and the reduction in unemployment by comparison with the 1930s, as in several other superficial manifestations of the historical instability of the capitalist mode of production, ailments of the capitalist economy have been very obviously manifest in recent years. In 1971, the increment of industrial output in the advanced capitalist countries amounted only to 1 per cent, while it was 8 per cent in the socialist states. It is not accidental that the USA, a capitalist country which has reached a very high level of productive forces and which, it would seem, has accumulated the greatest material conditions for further economic progress, invariably should lag behind the economic growth rate of several industrially developed capitalist nations. One can see more clearly today that the USA has become a sort of epicentre from which waves of economic disruption go out to the whole of the capitalist world.

¹ International Meeting of Communist and Workers' Parties, Moscow 1969. p. 141.

Unemployment sharply increased in the capitalist countries in the early 1970s. At the 20th Congress of the French Communist Party in December 1972, it was noted that in France the number of officially registered rejected applications for work was up to 400,000, i.e., a figure unprecedented since 1945. The French National Statistical Institute put the unemployment figure at 800,000. Today the world capitalist economy is experiencing an unprecedented acuteness of radical social contradictions and a very rapid increase in the processes of socialisation of production, formation of a correspondingly centralised apparatus of economic management, i.e., processes which affirm Lenin's thesis about the historical place of imperialism, of imperialism as capitalism in transition or, more precisely, as moribund capitalism, creating all the conditions for the revolutionary emergence of socialism, the higher social and economic formation.¹

Account for the possibilities of accelerating production development under capitalism does not imply an underestimation of revolutionary prospects. The progress of science, technology and production in the capitalist world brings closer socialist transformations in social relations insofar as this progress, despite the hopes of capitalist apologists, is leading to the deepening of the fundamental contradictions in capitalist society and is ensuring wider objective and subjective prerequisites for the victory of socialist revolution and the successful building of socialism.

Of course, the grave economic crises and other severe infringements upon extended capitalist reproduction processes exacerbate social antagonisms and can be a great accelerator of revolutionary movements. Marxist-Leninist philosophy, however, does not tie down revolutionary changes to periods of stagnation or decline of capitalist production. It associates prospects for world revolutionary change not only and not so much with various economic upheavals, with periodical profound upsets in the mechanism of capitalist reproduction, as with the steadily growing acuteness of the whole set of contradictions immanent in capitalist society, even though capitalist countries may have managed temporarily to play down the various manifestations of these contradictions and, now and again, avert economic upheavals. Therefore, imperialism in the epoch of the current scientific and technologi-

cal revolution, imperialism employing its achievements on a fairly wide scale is "the eve of proletarian social revolution" in an even greater measure than it was when Lenin wrote about it in his preface to the French and German editions of his work *Imperialism, the Highest Stage of Capitalism*.

Present-day capitalist economic development is even more prone to unevenness and instability than ever. The capitalist states regularly display a sharp cut-back in growth rate or absolute reduction of the volume of production, and this testifies to the chronic cyclical character of capitalist economic development. Throughout the period 1961-1969, the annual increment in industrial production in the USA fluctuated between 9 per cent and less than 1 per cent. At the other pole, Soviet industry developed fairly evenly: the annual increment in that period fluctuated only between 7 and 10 per cent; as a result, Soviet industrial output increased 2.1 times and US production only 1.6 times. In the Common Market countries, taken together, annual industrial growth between 1961 and 1968 was between 1.7 and 7.7 per cent and only in 1969 reached a high level of 10.7 per cent; during the 1960s, CMEA countries had a growth rate of between 7 and 9.5 per cent. The cyclical nature of the capitalist economic development is today evident not only in economic crises accompanied by reduced production and profound sporadic economic upheavals, but also in a frequent alternation of relatively high growth rates and low rates, a mounting economic instability. In the FRG, for example, industrial output in 1966 increased by 1.6 per cent, while in 1967 it diminished by 1.7 per cent, and in 1968 it increased by more than 11 per cent; in Britain, in 1966, the industrial production grew by 1.8 per cent, in 1967—fell by 1 per cent, in 1968—increased by 4.5 per cent, and in 1969—increased by 3.5 per cent. In 1970, the volume of industrial output in the USA diminished while that of the USSR grew by 8 per cent.

The Central Committee report to the 24th Party Congress said: "Even the most developed capitalist states are not free from grave economic upheavals. The USA, for instance, has been floundering in one of its economic crises for almost two years now. The last few years have also been marked by a grave crisis in the capitalist monetary and financial system. The simultaneous growth of inflation and unemployment has become a permanent feature. There are now almost eight million unemployed in the developed capitalist countries."¹

¹ See V. I. Lenin, *Collected Works*, Vol. 22, p. 302.

¹ 24th Congress of the CPSU, p. 20.

The beginning of the scientific and technological revolution in the economically developed capitalist states is facilitating a radical overhaul of production, but it is also extending the sphere of manifestation of existing social contradictions; it is making them more acute and sometimes changing the manifestations themselves and producing new contradictions. For example, automation of production, irrespective of the stage of the economic cycle, is becoming an increasingly important factor behind unemployment. A growing impoverishment of the countryside is accompanying the growing fusion of agriculture and industry through the organic composition of capital and the accelerated growth of labour productivity in farm production.

The scientific and technological revolution throughout the world capitalist economy is producing more and more new elements in the contradictions between the economically developed and the developing countries, and also among the economically developed states themselves. One of the most acute contradictions in the contemporary world capitalist economy is that between the enormous possibilities for the rise of the productive forces, created by the scientific and technological revolution, and the obstacles in the way of involving the developing countries in the stream of world scientific and technological progress, which are put by the system of international economic relations of the capitalist world. The fact that, essentially, a larger part of the population of the capitalist world has to stand aside from modern progress in science, technology and production has become one of the major signs of the historical insolvency of the world capitalist economic system.

The development of an antagonism between labour and capital nationally and internationally occurs today under the increasing influence of world socialism and the offensive class struggle of the proletariat. This forces capital to make certain social concessions to the working people and encourages the capitalists to try to mask the growing degree of exploitation of the working people.

The fight of the working people against capitalists has reached a new stage. Acute class battles have broken out in an increasing number of countries. Massive worker action for political and economic rights is becoming a permanent and decisive factor of life in the capitalist world. Popular political campaigns are developing even in countries which, for many years, have languished under extreme reactionary repression,

such as Spain. The scale is widening and the efficiency increasing of methods of struggle used by the working class. The prestige and impact of Communist Parties among the working people are growing and so, too, is the striving among various contingents of the working class for unity of action. The anti-monopoly front of the working class, the peasants and other democratic sections of the population is becoming strong.

One indication of the pressure put by the working people on the capitalist class is the growing scope of the strike movement. While the number of workers in capitalist states is now approximately double what it was before the war, the number of strikes has increased by 3.5 times, according to official reduced statistics. In 1959, 36 million people went on strike, in 1966—44 million and in 1969, over 60 million. Despite bourgeois "theories" of class peace, there is an obvious upswing in the strike movement in the highly developed capitalist states.

Strikes are becoming an increasingly mass phenomenon. In the decade 1960-1970, the capitalist world was shaken by over 250 large national strikes. In Italy, which had a reasonably high economic level of activity and an industrial output increase of 10 per cent in 1969, the class struggle had not died down. Strikes involved up to 90 per cent of all manual and mental workers, even though only some 40 per cent of the work force is organised in trade unions. The national strike of November 1969 in Italy acquired particular scope. In countries where a reformist faction predominates in the trade union movement, there is an evident move towards more active struggle against monopoly capital. For example, in Britain in 1969, 90 per cent of all strikes were so-called "wild-cat" strikes that were not sanctioned by trade union leadership.

The growing scale of class struggle is apparent, too, in the national liberation zone. Entire continents are entering a stage of social reform. The national liberation and class struggles are being combined more and more fully. A distinctive feature of mass social movements, working-class strikes and various political acts by working people has been their clearly defined stand against the domination of imperialist monopolies, the arbitrary rule of US finance capital, the local oligarchy in cahoots with them, and for democratic reforms in politics and the economy, for nationalisation of enterprises belonging to foreign capital and local monopolies.

Isolated improvements in the living standards of working people, which occurred in the fifties and sixties in the economically developed capitalist states, are by no means a direct consequence of the rise of the productive forces; they reflect above all the results of the class struggle that is taking place against the backcloth of the two-system competition and the changing conditions of manpower reproduction which, being connected with the requirements of capital reproduction, presuppose heightened demands on the level of education of workers. With the aid of social manoeuvres and individual concessions, "monopoly capitalism ... tries to avert social and economic upheavals fraught with the greatest danger to the bourgeois system",¹ as was noted at the International Meeting of Communist and Workers' Parties. Therefore, despite the constant price rises and mounting cost of living which have eroded any hard-won nominal wage increases, average real earnings in the economically developed capitalist states have on the whole risen since the war. By the mid-1960s, in the major capitalist states, average real wages of workers in the processing industry exceeded the pre-war level by between 15 and 50 per cent. It goes without saying that any improvement in living standards in the capitalist states does not occur automatically; it is the result of fierce class struggle.

The existence of the world socialist system plays an important part in this because it clearly demonstrates the radically new social standards, the guarantees of a working man's confidence in the future, the elimination of poverty and rightlessness, a high level of social insurance, health system and education. The socialist system has become an important factor affecting the course of the class struggle in capitalist countries. At the same time, despite the substantial social gains of working people in the economically developed capitalist states, the contradictions are growing between opportunities for satisfying popular needs created by accumulation of national wealth, the existence of a production apparatus and the real satisfaction of these requirements, between the living standards and the objectively existing requirements of the population.

Average figures greatly underestimate the real situation of working people in capitalist countries. Even by official

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p. 141.

statistics, between 30 and 35 million people in the United States are living "below the bread-line". We know that the length of the working week in economically developed capitalist countries has shrunk from between 90 to 100 hours at the end of the 18th and beginning of the 19th centuries and 60-72 hours at the turn of this century to between 40 and 45 hours today. Behind these average figures which reflect the success of the class struggle, however, there lurk great differences in the length of the working week among different sections of factory and office workers. In the United States in 1963, with an average working week of 40.7 hours, 19.7 per cent of the workers had a working week of 49 hours or more, 40.5 per cent worked 40 hours and 15.7 per cent were only partly employed or had a working week of less than 30 hours.

The requirements of a modern production apparatus, the far-reaching changes in the capitalist mechanism of its operation, the growing acuteness of economic and political contradictions in capitalist society and the course of competition between the two opposing world social systems are causing the rapid development of state-monopoly capitalism and of the growing economic role of the capitalist state. Lenin analysed the initial stages of this process, but now state intervention in the economy is increasing at particularly rapid rates. Between 30 and 40 per cent of the national income of economically developed capitalist states is passing through the state budget. The capitalist state is striving not only to influence the cyclical pattern of the economy in its critical phases, but also to exert an increasing long-term influence on the processes of capital reproduction on a national and international scale, resorting, in particular, to the programming and forecasting of market and production trends. The growing tendency towards state regulation of the capitalist economy essentially reflects serious infringements upon the mechanism of economic growth on a capitalist basis and the deepening crisis of the capitalist system.

The requirements of the development of the productive forces are clashing more and more with the capitalist mode of distribution of the national income; the requirements for realising the social product are clashing with the level and growth rate of popular consumption. This clash is acquiring particular acuteness at a time when scientific progress is making it possible to move from capital-intensive to capital-neutral and capital-economic technological progress. The role of personal consumption objectively rises, thereby, in tackling the problem of realisation and in ensuring the use in

production of material and human resources. The capitalist mode of distribution of national income, with its inherent tendency to reduce the share of workers' incomes, has become an even more obvious obstacle in the way of production development.

There is a growing lack of coincidence, revealed by Lenin, between the expanding sources of accumulation being created by the growing productive forces and the increase in the mass of surplus value, and the actually realised accumulation in the form of capital investment, that is, a relative excess of capital is growing and the contradiction between the existence of this relatively excessive capital and the vast unsatisfied demands for investment is becoming increasingly blatant. A contradiction is growing between the interlinking and interdependence of economic processes, on the one hand, and the arbitrary nature of the formation of economic proportions, the multitude of objects of economic management guided by narrow interests for making a profit and mutual competitive struggle, on the other. In these circumstances, there is an evident stalling of the capitalist economic mechanism apparent in regular slumps, budget deficits, monetary crises and inflation.

State-monopoly capitalism is trying to come to grips with the novel situation, trying to intervene in national income distribution, stimulating modernisation of production and other investment activity. The monopolies and the state apparatus under their control are raising the level of centralisation of production control. The state is endeavouring to affect the movement of global economic relationships; to regulate, for example, in the interests of extended reproduction of capital, the movement of nominal wages so as to guarantee a faster growth rate of labour productivity growth.

It is nonetheless becoming even more evident that state-monopoly capitalism is exacerbating to the extreme the basic contradiction of the capitalist mode of production—that between the social nature of production and the private mode of appropriation.

State economic regulation which, in certain circumstances, can avoid sharp crises, is incapable, first, of fully avoiding them and, second, of nursing back to health a capitalist economy riddled with contradictions. Many capitalist states are experiencing a chronic sickness of their economic mechanism, a form of "creeping crisis".

Attempts to adapt capitalism to the new situation are a link in the process of its disintegration; they are partly

based on methods which are incompatible with the nature of the capitalist mode of production and presage its impending doom, which will be a result of the maturing all-embracing socio-political crisis, a result of the mass revolutionary struggle of the working people led by Marxist-Leninist parties.

In a situation of acute economic and political contradictions, the part played by the military-industrial complex increases in the economically developed capitalist states; this complex is an alliance of the biggest monopolies with the military élite and the most reactionary circles in the state apparatus. The influence of this complex on the political and economic affairs of the major imperialist states entails the militarisation of the economy, a strengthening of internal reaction and a threat to international peace. Escalating military business means a burden of enormous unproductive outlay and a growing imbalance in the economy. Military expenditure in the economically developed capitalist states comprises \$ 100,000 million. The United States directs approximately one-tenth of all workers and one-fifth of engineering and technical personnel to military production. More than 60 per cent of all research in the United States is done for military purposes, 40 per cent in Britain and some 30 per cent in other West European countries.

Militarisation of the capitalist economy has a big effect on international economic relations within the capitalist world and leaves a spreading imprint on international trade and credit relations. According to George Thayer, author of the book *The War Business. The International Trade in Armaments*, the cost of armaments and military equipment cast upon the world market by the leading imperialist powers since 1945 has amounted to \$ 59,000 million. Of that sum \$ 50,000 million went on supplies from the United States.

The development of the world capitalist economy and the coming together of the national economies of capitalist states are linked with the international migration of capital, its international intertwining, the creation and strengthening of international monopoly groupings, and so on. Capitalist monopolies are trying to subordinate to their interests the ever-widening internationalisation of production, to weaken the pressure of the growing productive forces on the narrow confines of capitalist forms of economy, to ease the acute antagonistic contradiction between the social nature of production and private capitalist appropriation.

The rate of concentration and centralisation of capital increases with the internationalisation of economic affairs within the world capitalist system; an international intertwining of "national" capitals takes place and the big international monopolies expand even more.

Alongside these developments, international forms of state-monopoly intervention in the economy occur. All this distinctly extends the bounds of concentration and centralisation of capital beyond individual national private capitalist and state-monopoly finance groups. As a result, the contradiction steadily becomes more acute between the social character of production and the private form of appropriation; it moves to a new, even wider foundation. Nevertheless, the internationalisation of economic life under capitalism cannot do away with the contradiction itself, it only creates, in the final count, conditions for even greater acuteness.

Therefore, the social manifestations and consequences of the internationalisation of economic affairs within the world capitalist system are complicated and contradictory. For individual capitalist monopolies, such internationalisation opens up new possibilities of economic manoeuvring, widens the sphere of capital operations, encourages intensification of capitalist accumulation and, in particular, plays down the contradiction between the needs of capital reproduction for individual monopoly groups requiring an expansion of production volume, and the possibilities of realisation on national markets. During the process of economic internationalisation, however, there is no substantial improvement in the conditions of reproduction of all social capital. That is primarily due to the inability of internationalisation radically to solve the problem of realising production, a problem that is immanent in the capitalist economic system.

Although internationalisation does facilitate a partial and temporary smoothing of some antagonisms in the economically developed capitalist states, the same economic internationalisation simultaneously reproduces them again and again to a higher degree and with a greater extent of acuteness.

Among the many consequences of this process, the principal and decisive consequence is that the contradiction between the mounting potential for the growth of productive forces and the restricted use of this potential—due to the capitalist relations of production—ultimately intensifies even more. Being essentially a factor for economic growth, capitalist forms

of internationalisation become a curb on growth at a new and even higher stage of the productive forces' development. Economic internationalisation within world capitalism thereby acquires a social meaning which clashes with its progressive historical designation.

The increasingly intensive international concentration and centralisation of capital is largely based on a greater international division of labour, international specialisation and co-operation in production, scientific and technological progress. The division of labour has become the basic content of international monopolist agreements. Such agreements shape the readiness of various monopolies to specialise their production, to have a division of labour in research and design, and to exchange licences. It is these agreements on delineation of production programmes that have become dominant in the partition of markets among international monopolies. The number of such agreements is rising very rapidly.

A division of labour between industrial capitalist countries is developing with increasing alacrity today. The process, typically, has new forms and new distinctive features. International monopolies employ world market forecasting and purposely intensify and reorganise international production specialisation in their own interests. They use the state apparatus to regulate world commodity markets and ensure terms favourable for foreign economic expansion and the increasing dependence of the economically less developed countries. They employ regional and inter-regional trade and economic organisations to stimulate the international market.

International monopolies and the state capitalist apparatus more and more resort to an agreed line on several aspects of social policy, striving by joint effort to consolidate their positions in the class struggle. International monopoly capital is more and more frequently forced to reckon with the consequences of shifts in the world capitalist economy due to the class struggle in the capitalist world and to economic competition between the two opposing world social systems.

Highly developed state-monopoly capitalism has become a necessary condition for the operation of the complex system of international specialisation and co-operation within the capitalist world at the present level of the productive forces and capital concentration. The increasing capitalist international division of labour to an ever greater degree occurs by means of

state-monopoly regulation. Monopoly capital exploits the state apparatus as its strongest weapon in redividing spheres of influence within the international capitalist division of labour.

Intergovernmental pacts, agreements and contacts at various levels serve to expand the possibilities for capital to operate on an international scale and to establish a base for greater international division of labour. Many ploys of state policy in foreign economic relations and the co-ordination of their employment by a particular group of capitalist states are intended to boost international specialisation of production (for example, the correlation of levels of customs duties on engineering products and on certain parts). State companies take a direct part in the co-operation between private capitalist monopolies. The monopolies frequently use the state apparatus to finance further international division of labour by way of subsidies, credits and guarantees. The state subsidising of certain exports, especially farm produce, has become a permanent feature of the foreign economic operations of many economically developed capitalist states, particularly the United States.

State-monopoly regulation of international markets has, on the one hand, become an important means to extend division of labour between individual states, to increase the volume of those markets and to stabilise the market situation to a certain extent. The growth in aggregate foreign trade turnover of the capitalist states in the last two decades was faster than production growth in these states, thereby reflecting a certain increase in the volume of the international capitalist market. This resulted largely from greater international production specialisation and co-operation, supplementing the industrial sectoral structure and enriching the range of finished products in each sector, and the enhanced role of international trade in modern lines of production. On the other hand, state-monopoly regulation acts as a weapon in the competitive struggle between international monopolies, the penetration by these monopolies in less monopolised economic sectors of other countries, and also a weapon of political and economic pressure on various governments so as to obtain concessions for a particular international finance group.

State-monopoly regulation of foreign relations, of course, does not serve to restrict the activity of private monopolies; they use it to increase opportunities for their own expansion.

The organisation of joint action by NATO countries over missiles is a good example of the complicated state-monopoly system of production co-operation. In 1959, the US Administration and five West European countries (Belgium, France, Italy, Netherlands and West Germany) signed an agreement on joint production of a particular ground-to-air missile on an American licence. A special agency within NATO was set up to implement that co-operation; under its aegis, an international military cartel of five monopolies of the said countries was established. It is remarkable that the state agencies of these countries were largely excluded from participation in the implementation of the agreement; direct contacts were established between the five-monopoly cartel that had undertaken to manufacture missiles and NATO agencies. American missile-production licences were also offered directly to the cartel and not to individual states party to the agreement.

Despite the growing sphere of state-monopoly regulation of international production specialisation and co-operation, international capitalist division of labour at the present stage of world capitalist economic development, even between highly industrial states, is far from attaining an optimum international specialisation, a systematic and rational co-operation of labour between different states that would serve the objectives of their economic progress. The international capitalist division of labour continues to develop in the interests of capital reproduction of the big monopolies, under decisive influence from the competitive struggle among different monopoly groupings, trying to obtain a form of international specialisation most advantageous to themselves, even though it contradicts national economic interests. In February 1970, the French Communist Party said at its 19th Congress that "the big bourgeoisie sees our country merely as a source of profit and an object of barter". That applies in full to monopoly attitudes to issues concerning the international capitalist division of labour.

The competitive struggle of monopolies takes very diverse forms in the course of extending the international capitalist division of labour. Monopoly groupings fight for a bigger share in the capital of joint companies that they have established and for production quotas; a struggle goes on over the choice of type of specialised output and distribution of costs of production, and so on and so forth. The arsenal of weapons wielded by the monopolies in international competi-

tion is growing; as the concentration and centralisation of capital increases, the opportunities for monopolies participating in the competitive struggle expand and the struggle acquires an increasingly acute character. Back in 1915, Lenin noted the accepted fact cited from a book on the world politics that "the internationalisation of capital by no means eliminates the national capitalists' intensified struggle for power and influence, for 'majority share-holding'". As a result of the internationalisation of capital, there occur not only a further development of contacts between monopolies of individual states and their mutual actions, but also their systematic regrouping, changes in the balance of power, centrifugal tendencies in economic and political associations, the emergence of rival monopoly groups. Monopoly competition puts considerable obstacles in the way of further international specialisation and co-operation of production.

No matter what the scale or level intended, any measures in the sphere of international capitalist division of labour essentially cannot cover the whole of the economy, take into consideration and embrace the whole aggregate of national economic factors; they cannot cover the various aspects of influence of the growing international division of labour on individual national economies, eliminate the spontaneous, arbitrary development of the world capitalist economy. Any agreements by the capitalist monopolies to intensify international production specialisation and co-operation ensure a certain dovetailing of production programmes of some enterprises in different countries; they sometimes involve a larger amount of output of a particular sector. Nonetheless, they cannot guarantee a systematic concerted development of national economies; sometimes they even lead to greater disproportions. State-monopoly regulation of international economic contacts essentially creates only certain, very relative boundaries of the interplay of spontaneous forces through various foreign trade, currency and immigration policy measures.

Division of labour in the world capitalist economy depends on the action of economic laws of the capitalist mode of production and serves the interests of the big international monopolies. Often an increase in this division of labour is to the detriment of a participant country, especially an economi-

¹ V. I. Lenin, *Collected Works*, Vol. 21, p. 244.

cally backward one. A consequence of the international capitalist division of labour is often an economic slowdown in a whole number of countries, which is used for consolidating monopoly positions of the economically developed states. The one-sided character of the advantages that emanate from international division of labour remains the overriding feature of the world capitalist economy.

If we judge capitalist international division of labour from the viewpoint of efficient production within the world capitalist economic system as a whole, its irrational and predatory nature springs to the eye. The division is a brake on the development of productive forces in many countries, a cause of the underemployment of their national resources and the uneven territorial location of production, of the various disproportions in the world capitalist economy.

Another characteristic feature of modern world capitalist economic development is the increasingly manifest tendency to switch the focus of the competitive struggle from direct production and trade to research and development. The scale and efficiency of research are more and more often determining the competitive capacity of countries and monopolies on world markets. At the same time, the importance is growing of world markets in research and development, and also international migration of research workers and designers. In 1966, approximately one-tenth of profit from all world trade was from licence trading; such trade is now providing about the same profit as the oil or engineering trade.

The statistics for 1963 and 1964 show the extent to which the United States has outstripped the West European states in research potential: expenditure on R & D per inhabitant amounted to \$ 110.5 in the USA, \$ 39.8 in Britain, \$ 33.5 in Sweden, \$ 27.2 in Holland, \$ 27.1 in France, \$ 24.6 in the FRG, \$ 14.7 in Belgium, \$ 5.7 in Italy and \$ 3.2 in Austria. The United States had 358 scientific workers, engineers and technicians engaged in R & D per 100,000 inhabitants, Britain 294, Holland 258, Sweden 216, the FRG 180, France 179, Belgium 168, Italy 60 and Austria 45.

The state capitalist financing of much research is done in the interests of the monopolies. In the United States, the state accounted for 64 per cent of all expenditure on R & D in 1963 and 1964, the French state accounted for the same amount, and the share of the other economically developed West European countries varied between 24 and 54 per cent. Thus, we see that the United States has gone much further than its

competitors in use of state finance for accelerating scientific and technological progress.

A direct result of the supremacy of US research potential over that of other economically developed capitalist states is the acquiring by American monopolies of dominant positions, especially on the world capitalist market of output from modern sectors of industry, primarily in electronics. For example, more than 90 per cent of computers used in Western Europe are manufactured by American firms.

International migration of capital has new features. The capital penetration of the most powerful imperialist states in the economies of other advanced capitalist countries has acquired new scope. The object of expansion of US capital is now such front-ranking imperialist states as Britain, the FRG, Belgium, the Netherlands and others. The geographical location of investment by large monopolies ensures the direct exploitation of manpower not only in the less developed and the dependent countries, but also in other imperialist states. For example, some 6 per cent of all British workers were employed, in 1966, at enterprises which are owned or controlled by American monopolies. Direct US investment in Western Europe increased from \$1,700 million in 1950 to \$18,000 million in 1968. The American monopolies manage to obtain a higher degree of exploitation of the working people at their factories in Western Europe, organise production more efficiently and make a bigger profit than the West European monopolies could do themselves. According to statistics given by the French publicist, Jean-Jacques Servan-Schreiber, "American investment in Europe will continue to grow far more rapidly than European investment. Its profits are already half again as large as ours."¹

Capital exports make the main correctives to the international trade structure according to the "national affiliation" of capital, by comparison with its structure in the various countries. Thus, the annual production of the American monopolies' subsidiaries abroad has amounted in recent years to more than \$100,000 million, i.e., three times more than the entire export of commodities from the United States.

Capital exports are, as before, largely subordinate to the establishment of monopoly control over fuel and raw material resources of the capitalist world, the plundering of sources of

supply of fuel and raw materials. For example, US import requirements for many important types of raw materials, especially oil and oil products, bauxite and alumina, iron ore, etc., are almost wholly or mainly satisfied by supplies from plants abroad which belong to American monopolies or are controlled by them. Nowadays, however, an ever-increasing role in capital exports is being played by monopoly penetration into the processing industry, especially to establish control over the rapidly developing new sectors and lines of production which are acquiring key importance in this scientific age.

Modern world capitalist economy is experiencing even greater uneven development within the group of economically developed states; major changes are taking place in the balance of power between individual imperialist states. The long-term uneven development of these states may be illustrated by the following figures. When free-enterprise capitalism developed into monopoly capitalism, Britain led the world in per capita industrial output; the American figure was only half that of the British, while the German was four times less. In the years to follow, Great Britain was overtaken first by America and then by West Germany. In the first half of the 1960s, per capita industrial production was 0.8 of the American level in Canada, 0.7 in West Germany, 0.65 in Britain, 0.4 in France, 0.35 in Italy and 0.25 in Japan.

The American share both in world industrial production and in the world volume of international trade has substantially diminished in the last two decades. While, in 1953, the US share in capitalist industrial output was 51.9 per cent, in 1971 it had shrunk to 40.4 per cent. This reduction was most marked in the 1950s, while the share decreased more slowly in the 1960s, although at the end of the decade and beginning of the 1970s, the fall was again speeded up. From 1960 to 1971, the US share fell by 5 per cent. Of late Japan has moved into second place in the share of world capitalist industrial output, edging out the FRG and Britain, which are now in the third and fourth places respectively.

A typical feature of the world capitalist economy today is the further polarisation of countries in economic levels. The polarisation process is due to internal laws of that economy which make the rise of the productive forces in a smaller part of the capitalist world occur at the expense of the other part; in many respects, the latter states are deprived of the possibility of using the modern scientific and technological achievements for boosting production.

¹ J. J. Servan-Schreiber, *The American Challenge*, New York, 1968, p. 29.

The impact of economic internationalisation on national economies thus depends in large measure on the social nature of the process of internationalisation. Therefore, although the trend towards internationalisation generally reflects the growth of the productive forces, far from all phenomena of economic internationalisation can be associated with a higher level of production or with progressive changes in the economies of individual states. One of the main trends in the international division of labour within the world capitalist economy is the division of labour between highly industrial and economically backward countries. For a long time this division served as a paramount system-forming element of the world capitalist economy. It has retained its immense importance today. Yet it is based precisely on the economic backwardness of one party; its effectiveness for the other party demands that this backwardness remain.

It is not a matter of using economic levers of social labour in all countries involved in the international capitalist division of labour, but of the capital exploitation of some countries by others, of the extraction of profits by some countries from others which possess an irrational economic sectoral structure, a low standard of living and other aspects of economic backwardness. The imperialist states continue every year to appropriate no less than one-tenth of the national income of the developing countries by various forms of economic plunder—a sum which would enable these countries in many cases at least to double their accumulation.

The development of the international division of labour within the world capitalist economic system, capitalist forms of economic amalgamation of various countries through concentration and centralisation of capital internationally, expansion of international trade, international migration of capital and manpower intensify the trend to further concentration of productive forces in the industrial and trade and transport centres located in the most developed states. This trend is to the detriment of economic progress in the less developed countries and regions, and hampers the use of labour and natural resources over a large area of the world.

The international division of labour is entering a new phase of development by virtue of world scientific and technological progress, new possibilities and requirements for improving production. The import of raw materials and their processing, the export of finished products are no longer the principal factor of the national productive forces' growth as they used to

be at previous stages of economic development. It has become increasingly important to involve national economies in the division of labour within the processing industry; international exchange of finished products (and not simply a unilateral export of these products) is playing an increasing part in enhancing the efficiency of mature national economies. The trend is increasing in the capitalist world for the less developed countries to create their own processing industries and to take part in an international exchange of finished products. At the same time, an even fiercer competitive struggle for participation in this division of labour is taking place between the developed capitalist countries—not to mention the fierce opposition such countries put up to developing countries wishing to join their ranks.

In 1966, products of the processing industry accounted for only 20.1 per cent of the exports of the developing countries, at a time when their share in the exports of the developed capitalist states was 71.5 per cent. Even greater differences in the commodity structure of exports come to light when we compare the output share of such vital industrial sectors as engineering and chemicals. The share of engineering products in the export of the developed capitalist states amounted to 31.7 per cent in 1966 and only 1.3 per cent in exports of developing countries; the share of chemical output was 8.5 and 1.6 per cent respectively.

We can clearly see in these trends of the world capitalist economy the inherent rejection of the international economic ties that have developed within it. The creation of modern productive forces in the developing states demands not the reinforcement of these relations; on the contrary, it presupposes their radical restructuring. This is impossible without a consistent anti-imperialist struggle. Experience shows that not a single country that is at all backward in its development and dependent on imperialist powers can overcome its backwardness without a decisive anti-imperialist struggle. Moreover, a consistent fight against economic backwardness and imperialist tyranny brings people to the need for radical social change. It is manifestly impossible to create modern productive forces and raise living standards in a historically short span by capitalist means. The elimination of imperialist-imposed forms of economic amalgamation and a decisive rebuff to neo-colonialist incursions have become invariable conditions for establishing equal and mutually beneficial international co-operation towards which nations are striving who fight for political and economic independence.

CAPITALIST INTEGRATION AND THE GROWING CONTRADICTIONS OF THE WORLD CAPITALIST ECONOMY

Marxist economists are paying increasing attention to changes in the world economic redivisions among the monopolies. These changes include increasing economic integration within the various zones of the world capitalist economy; in one way or another, they are amending the many laws of the world capitalist economy, greatly affect the balance of power within the world capitalist economy and the relations between countries in the two opposing social systems. The economic integration of capitalist states has far-reaching consequences both for internal politics and for foreign political relations.

Theoretical and practical issues of capitalist integration have become the focus of an acute ideological struggle between Marxists and apologists of the capitalist system. Imperialist ideologists use certain results of the processes of integration in their speculative attempts to "prove" the vitality of the imperialist system and its potential for economic development. They reduce the essence of integration to amalgamation of national economies into a single entity or they portray integration as the removal of discrimination in relations between economic units belonging to different national economies. In this way, they mask the fundamental social nature of international economic relations in the capitalist world, including relations that form as national economies come together. Lenin exposed this fundamental social nature as the economic partition and repartition of the world by international monopolies.

The development of various forms of integration over the last 20 years in Western Europe, Central America and parts of

Africa primarily represents an attempt by the international monopolies to adapt the mechanism of the economic repartition of the world to peculiarities of the present day. Under the new circumstances, the system of private and intergovernmental cartels has outlived its usefulness; the old intergovernmental agreements and organisations intended to co-ordinate various aspects of foreign economic capitalist policy are now too restricted.

The changing balance of power in socialism's favour, the disintegration of colonialism, new aspects of reproduction engendered by the scientific and technological revolution, further state-monopoly trends, the mounting instability of international currency and other economic relations and the unreliability of earlier forms of the international market mechanism, the narrowing role of traditional and the emergence of new methods of monopoly struggle, the desire to excel in the competition with world socialism, politically to consolidate the capitalist world and regain its lost initiative—all this has caused a change over to integrational forms of repartitioning spheres of domination among the major imperialist powers and to integrational levers for repartitioning markets, spheres of capital investment and manpower resources among the international monopolies.

The multiplicity of integration within the world capitalist economy cannot, of course, be mechanically reduced to a common denominator, cannot be explained by identical causes. We have already referred to the social and economic nature of integration taking place under the control of international monopolies within the industrial capitalist states and the spheres of their economic and political influence. Along with this, certain processes of economic amalgamation are taking place in the area of national liberation, between states striving to link efforts to attain economic independence and manipulating, even it at a relatively low economic level, levers of economic integration for the anti-imperialist struggle.

Three types or three directions of economic integration may be discerned within the world capitalist economy. They differ in level of economic development of states, the nature of economic contacts between them, particularly the division of labour and, mainly, the social character of integration, the social forces which use and direct integration, and the interests for strengthening a particular social sector of the world capitalist economy which they serve.

First, there is integration of economically advanced capitalist countries within the framework of the imperialist sector of the world capitalist economy.

Second, there is the integration under way in economic relations between economically advanced and developing states in the capitalist world, or between the countries that remain in economic dependence on imperialist powers. In many respects, this integration expresses neo-colonialist expansion and serves to maintain or to restore in new forms the economic dependence of developing states on imperialist powers, which is a direct continuation of colonial bondage. Integration in this sense is often done artificially, in isolation from genuine economic requirements of the developing states and serves to split the anti-imperialist front. Thus, this second direction largely expresses the monopoly desire to retain, in forms that correspond to new conditions, the relations of domination of the imperialist sector of the world capitalist economy over the sector formed by the developing countries.

Although in its economic character, this integrational direction does not nor can it attain the degree of intensity inherent in the economic amalgamation of capitalist countries with a high level of economic development, the given circumstance in no way implies a small degree of dependence of the weaker participants in integration on the stronger, a curb of exploitation of the former by the latter.

Direct participation of imperialist states or a direct association between them and developing countries is not obligatory for this type of integration in all cases. The various agreements on economic integration (like, for example, a common market) may be concluded only by a few developing states; if their policy enables the advanced capitalist states and imperialist monopolies to dominate the economically integrated territory of the developing states, then this form of integration acquires largely a subordinate and service character in relation to the imperialist sector of the world capitalist economy.

Finally, integration exists within the bounds of a group of developing states which serves to unite economic resources for the purpose of boosting national economies and joint protection against the expansion of imperialist monopolies. The contradictions of the world capitalist economy lead to a situation where the developing states experience most acutely the need to combine efforts to protect their national interests. In the last decade, this type of integration has steadily increased, manifesting itself not only in concerted action by

groups of countries where the role of national states with a progressive social orientation is great (in a number of Arab states, for example), but also in the growing elements of collective opposition to imperialist policy in economic groupings that are still under the control of imperialist states, in intensifying demands (for example, in Latin America) to revise trading terms and other economic relations with the industrial capitalist states in connection with the increasing worsening of the economic status of the developing states, in the growing notion of a joint trade policy among Asian countries towards the economically developed states.

International capitalist economic integration is a phase of the process of the internationalisation of capitalist economies in which one can discern the great penetration of capital and the formation of deep-going relations among national economies, including those on the basis of production co-operation, and an interlinking of national economic structures through intensification of international concentration and centralisation of capital and with wide-scale application of the levers of state-monopoly economic control both within states and between states. It involves, also, a restriction of the sovereign rights of individual states in the interests of international monopolies so as to create more favourable conditions for extending capital reproduction of the more powerful monopoly groups. Capitalist integration is accompanied by a competitive struggle between individual finance groups for the monopoly possession of those opportunities for increasing the effectiveness of capital investment which are being created as a result of the establishment of more intensive international economic connections.

The economic advantages of integration are appropriated by the biggest monopolies.

These features of integration refer only to integration that occurs within a group of economically advanced capitalist states. Integration in the imperialist sector of the world capitalist economy expresses large changes in the reproduction of capital. The ever-growing centralisation and concentration of capital, that engender concentration of production and encourage monopolies to expand abroad, are the basis of the emergence and, at the same time, a factor in accelerating integration. This is encouraged, too, by the increasing intertwining of capital from different countries, the further increase in the power of international monopolies and the accompanying greater competitive strug-

gle in the world capitalist economy and its mounting contradictions.

The far-reaching "liberalisation" of economic relations within various capitalist groupings has become a means of extending the sphere of monopoly operations. These processes are most apparent in the European Economic Community. The six original West European members established a customs union and carried out measures to facilitate the transfer of capital and manpower within the Community. Integration played an important part in intensifying economic relations among E.E.C. member countries and, to a certain extent, stimulated economic expansion. Despite the appearance of new and serious problems, a certain increase in the size of the international market within this grouping was attained as the Six gradually realised the points envisaged in the Rome Treaty (March 1957). The rate of growth of trade between E.E.C. member countries was approximately double the rate of growth of the entire volume of their foreign trade; this has testified to the priority development of mutual economic relations between these countries by comparison with relations with countries outside the bloc; it shows a certain economic fusion of the Common Market states. The fairly rapid expansion of Common Market trade has caused a great increase in the proportion of E.E.C. countries in the entire trade of the capitalist market.

The change in export quotas in production and the import quotas in consumption of engineering output indicates the growing intensity of E.E.C. member countries' participation in the international division of labour. While, in 1956, E.E.C. countries exported 26.2 per cent of engineering products, in 1966, their engineering exports had risen to 40.2 per cent. In 1956, imports constituted only 15.1 per cent of the entire internal engineering consumption, while it had risen to 28.1 per cent in 1966. These changes are even more marked in individual E.E.C. countries.

In Italy, for example, the share of exports in all engineering output rose from 19.7 per cent in 1956 to 47.2 per cent in 1966, while the share of imports in internal engineering consumption increased in the same period from 16 to 31.8 per cent.

The integrational processes under way within the group of advanced capitalist states at definite stages encourage a certain increase in production and accelerate the levelling out of economic standards of those states. Their role is not, however,

confined to that. Integration simultaneously intensifies the unevenness of economic development of these states, exacerbates economic rivalry between them, and makes the antagonism between labour and capital even more markedly international. Ultimately, capitalist integration demonstrates on an even wider scale the inability of capitalism to cope with its inherent contradictions, to realise all the production potential created by scientific and technological progress. A relatively small gap in economic levels, relative equality in competitive terms for national capital, a certain facility of capital migration and close international interpenetration of capital which are all characteristic of the industrial capitalist states, cannot lead to a "harmonisation" of interests of monopoly groupings or to a weakening of rivalry between them. On the contrary, the fight between monopolies which takes place in new conditions, in particular with a lowering of customs barriers, becomes even more fierce.

In the Central Committee report to the 24th CPSU Congress, it was pointed out that neither the processes of integration nor the class interest of imperialists in combining efforts for combating world socialism had removed the contradictions between imperialist states. By the beginning of the 1970s, the main centres of imperialist rivalry were clear-cut: they were the USA, Western Europe (above all, the original six Common Market member countries) and Japan. Economic and political competition was even fiercer among them. Bans imposed by US official agencies on imports of an increasing number of commodities from Europe and Japan, and attempts by European states to restrict their exploitation by American capital are just some of the manifestations of this struggle.

The so-called liberalisation of foreign economic relations within the regional economic groupings of capitalist states is creating a new situation in the competitive struggle among the monopolies. The sphere of competition is broadening, the opportunities for squeezing out weaker competitors are growing and the process of concentration and centralisation of capital is accelerating. The E.E.C. countries have begun to set up common financial funds which they use to ensure the necessary economic conditions for "liberalising" mutual economic relations within the Common Market. For example, a common agricultural fund of E.E.C. countries has been set up in order to level prices and award compensation. Meanwhile, the part played by individual instruments of competitive

struggle is greatly changing. The policy of gradual reduction of customs duties or complete renunciation of them in mutual trade by industrial capitalist countries that are members of closed economic groupings such as the E.E.C. and the EFTA help to expand trade among these countries; it is accompanied by attempts widely to utilise the blatant and veiled subsidising of exports, manipulations of domestic and foreign trade prices in order to create better conditions for competing with partners.

Thus, despite the "liberalising" trends in trade, the transfer of capital and manpower migration, economic ties between capitalist countries are developing under the great pressure of various constrictive measures, such as import quotas, delivery conditions and price policies which have often a prohibitive character.

In the event of market difficulties occurring, any excuses are used to protect the domestic market from being swamped by imports, including the creation of a cordon sanitaire to protect it from the threat of foreign agricultural produce. At the same time, the centre of gravity of the international monopoly struggle, despite the various deviations caused by use of protectionist measures, is invariably shifting to the sphere of technological re-equipment of production, improvement to the system of management, market forecasting, etc.

The objectives being pursued by monopolies in creating closed economic groupings, especially the E.E.C., cannot be reduced to dismantling barriers between member countries and extending the sphere of the competitive struggle. They also involve a certain protection of the market being integrated from competition of outside states and, simultaneously, a stimulation of expansion by monopolies that belong to the given grouping of countries into states that are not members of the group. The integrational measures therefore become an important weapon in the competitive struggle both within the economic grouping and outside it. The closed nature of the grouping actually becomes a prerequisite for expansion into outside states, especially the economically weak as, for example, we see with the Common Market monopolies penetrating Austria or Spain.

A fierce battle is raging between the Common Market monopolies and those of other economically advanced countries, particularly the USA. In this struggle, the US monopolies are successfully taking roundabout action, particularly through

creating their subsidiaries within the E.E.C. which operate actively there.

Despite the fact that the strengthening of the E.E.C. is accompanied by a growing monopoly struggle between Common Market and American monopolies, which has led both to a certain complicated situation in regard to US exports to the Common Market and to a greater competition by these monopolies in US markets, nonetheless American finance capital is reckoned to do well on balance. As J. J. Servan-Schreiber has written, "Fifteen years from now it is quite possible that the world's third greatest industrial power, just after the United States and Russia, will not be Europe, but *American industry in Europe*."¹ The American monopolies count on integrational measures in Western Europe helping to let in American capital which, in conditions of integration, will enable American subsidiaries more fully to realise the advantages of better organisation of production and a higher level of technology than at the firms of most West European countries. Finally, American finance capital intends to use the existence of the closed economic and political grouping counterposed to the socialist states to increase the dependence of West European states on the USA.

The special problem of imperialist integration is its consequences for the developing states. In certain aspects, integration helps to satisfy the requirements of the advanced capitalist states by means of mutual deliveries, while with the existence of the great economic dependence of the developing states on selling their products in the economically advanced countries, this is very much to the detriment of the developing states. Most importantly, the integrating countries obtain new means of putting pressure on the developing states and resort to new and collective forms of neo-colonialism. For example, new agreements between the original six member countries of E.E.C. and the 18 associated states of Africa were signed in 1969; these replaced the Yaunde Convention of 1961. The new agreements once again expressed the unequal character of economic relations between E.E.C. and associated states, testify to the E.E.C.'s intention of continuing its discriminatory price policy against these states and ignoring the requirements for industrialisation of the African states.

At the same time, on the basis of contradictions between the

¹ J. J. Servan-Schreiber, *The American Challenge*, p. 3.

imperialist states, there is a clear determination by those of them which have colonies and spheres of influence to maintain in some degree their "traditional" privileges in relations with their former colonies, to restrict the penetration of their "partners" into their own spheres of influence, to use these spheres to consolidate their own positions in competition with other states, including those that are part of the same integrated grouping. Such is the policy of France, Belgium and Britain.

Imperialist states and their monopolies use integration within the world capitalist economy to force penetration into the economy of other countries; to subordinate to their own interests the various spheres of their economic affairs, particularly for competing against third states. Integration is accompanied by far-reaching consequences in politics, is making it harder for a state to exercise its sovereign rights, and is engendering a situation contrary to a state's national interests.

Despite the fact that advanced capitalist countries have long existed as sovereign national states, they appear to be stepping up their actions to increase the internationalisation of economic affairs by way of strengthening the international monopolies in the economies of various countries. This often evokes a response in the form of a growing endeavour to protect national interests and more actively to oppose the penetration of foreign capital. This endeavour by various social forces to maintain independent positions is apparent in countries which lag behind their more powerful partners in economic potential and foreign political influence; it is having a great effect on the course of integration and is causing trouble in the development of the integrating groupings. Attempts to ward off economic and political pressure by the more powerful imperialist partners have become more frequent in international relations within the capitalist world. All this illustrates the struggle against capitalist forms of economic amalgamation.

The working class has a leading role to play in this struggle. National detachments of the working class are strengthening their resolve to combine efforts on an international scale, to take joint action against the offensive of international monopolies on the living standards and democratic rights of working people. Economic integration used by the big monopolies to consolidate their positions is seriously detrimental to the interests of the petty and part of the medium

bourgeoisie. This helps to involve it in the anti-monopoly struggle. Thus, international economic integration in the capitalist world is an important factor extending the social basis of the anti-monopoly struggle; this gives it an even wider international character.

The important aspects of capitalist integration include the elaboration and implementation of a single social policy. Additional means are created for increasing exploitation of working people and satisfying the interests of the monopolies.

The class nature of efforts by ruling circles of E.E.C. countries has the aim of unifying social policy and is glaringly apparent when one analyses the measures taken to create a single E.E.C. agricultural market. These measures pursue the aim of strengthening social differentiation in the countryside, accelerating impoverishment of the peasant masses, concentrating farm production further. The task of diminishing costs of production and ensuring the free movement of farm produce within the Common Market is being tackled by stimulating the growth of large agricultural enterprises and squeezing out the small and medium farmers from agriculture. It is intended on an even greater scale to encourage the consolidation of big farms to the detriment of small and medium farms, using credits and direct subsidies for large-scale capitalist entrepreneurs in farming. This policy affects the vital interests of millions of peasants. According to 1966 data, farms of up to 20 hectares comprised 86 per cent of all farms in E.E.C. countries, of which farms of up to 10 hectares comprised 67 per cent. Common Market officials think it necessary to reduce the number of farms at least by 70 per cent and the gainfully employed agricultural population in E.E.C. countries from 11 million in 1967 to 5 million in 1980.

Integrating groupings in the world capitalist economy are not distinguished by their stability. Even bourgeois politicians admit that. Joseph Luns, the former Dutch Foreign Minister, said in an interview given to the West German magazine *Der Spiegel*: "We cannot get away from the impression that the E.E.C. is an organisation that operates only in good weather: it operates as long as the sun shines, but as soon as crisis situations arise, it disintegrates into six national states." We know how frequently the "liberalisation" of economic relations between E.E.C. countries is interrupted, and how steps are taken, in the event of deteriorating market conditions, to curb these relations directly—whether it is the imports of certain commodities or the ban on foreign workers. Acute contradic-

tions continue to exist between E.E.C. countries in the content and periods of further stages of integration, measures for controlling various commodity markets. The collapse of the European Free Trade Association established under British tutelage in 1960 is a good example of the instability of capitalist associations.

It would, nonetheless, be wrong to conclude that integrated units are bound to disintegrate—the reverse process of integration. Although this is not precluded in certain circumstances, it is all the same an objective trend for the processes of integration to be strengthened. Yet instability remains a feature immanent in imperialist associations due to the unevenness of economic and political development of the capitalist countries, the unremitting struggle of the monopolies, the cyclical character of capitalist economic development, etc. Hence the inevitable struggle for redivision of spheres of influence among participants in such groupings, changes in their composition, the use by capitalist states of any measures to protect the interests of "their own" monopolies. The central issue is the historical insolvency of imperialist methods to bring states closer together economically by virtue of the fact that the growing socialisation of production (being forced by the process of integration) increasingly paves the way for an explosion of all its national and international capitalist covers.

Although the deepest causes of integration within the world capitalist economy are to be found in the objective requirements of economic development, that are being manifest in a distorted form as requirements of extended capital reproduction, the intensity of these processes, the specific forms of integration and the range of participants are largely determined by military-strategic goals pursued by imperialism in its struggle against the world socialist system, the international working-class and national liberation movements. We refer here principally to the reaction of monopoly capital to the growth in power of the world socialist system, to its mounting influence, to the strategic plan of imperialist reaction in the battle of the two systems.

A common E.E.C. economic policy in relation to other states—envisioning the conclusion of trade, finance and other economic agreements with these states only on behalf of and with the agreement of the E.E.C.—is to a large extent aimed against all-European co-operation and the promotion of economic contacts with socialist states. That is primarily the

motive harboured by certain imperialist circles in strengthening elements of supra-national power within the E.E.C., restricting the sovereign rights of West European states, expanding the Community and converting it by the end of the 1980s into a highly integrated economic union with a common currency.

Capitalism modernises at the expense of the mass of working people and in the interests of the biggest monopolies. The popular struggle against imperialist groupings and in defence of national interests is growing. This is apparent, for example, from the Norwegian referendum on Common Market entry in September 1972 which resulted in Norway turning her back on the Common Market.

Integration within the world capitalist economy takes place not only within the framework of the advanced states; one direction of integration is a strengthening of the new forms of economic dependence of the developing countries on imperialist states, and the creation, under the control and in the interests of imperialist powers, of economic blocs of developing states that are economically and politically dependent on those powers. The imperialist aim is to uphold reactionary regimes, to stifle attempts to create an independent national economy and to create advantageous conditions for the domination of foreign monopolies.

Integration within advanced capitalist states and integration involving developing countries that back imperialist policies have a common social and economic character, i.e., to guarantee more favourable conditions for extended capital reproduction, mainly capital of the most powerful monopoly groups. At the same time, great differences exist between them. Economic contacts between developed states, which become consolidated in the process of integration, are distinguished by a predominantly intensive type of reproduction within participant states, intra-branch international specialisation, although this does not exclude elements of dependence of some countries on others, obtaining certain advantages by the more advanced countries. Economic relations between developing states, in particular those which have not fought for economic and political independence, and imperialist states are based on a predominantly one-sided economic dependence, on the use by the latter of the advantages that come not from an overall increase in economic efficiency of production as a result of international division of labour, but from a non-equivalent exchange and other forms

of economic plunder, on a distinctly extensive type of reproduction in the less developed states and on an elementary inter-branch international specialisation of production.

The Communist and Workers' Parties in E.E.C. and other capitalist states consistently expose the anti-popular nature of imperialist integration. They point out that economic integration, which itself reflects the need for economic development, could, in other social conditions, encourage national economic prosperity and better living standards; the Parties are campaigning against the policy of monopoly capital in the sphere of internationalisation of economic affairs, they are defending the vital interests of the working people and fighting to ensure national sovereignty. In uncovering the anti-popular and anti-national features of integration on a monopoly basis, the Communist and Workers' Parties oppose it with a programme of curbing the power of monopoly capital, guaranteeing genuine national interests, renouncing closed economic groupings and the policy of imperialist military and political blocs associated with them, a programme of extending economic relations with all countries irrespective of their social colouring. As Georges Marchais, General Secretary of the French Communist Party, said at the plenary meeting in March 1972, "The Common Market is only a little Europe of trusts. Large-scale capital dominates it just as it does France. The Common Market acts exclusively in the interests of big capitalists. The consequences are well-known: concentration of banks and industry, further imbalance in regional development, redundancies and the impoverishment of hundreds and thousands of farmers." He further commented that Britain's entry would only make the economies of the European nations even more dependent on American imperialism. Trusts had no homeland, but the workers had; and they held it dear enough to want to be masters of the fate of their homeland.

He emphasised that French Communists were for creating an independent, democratic and peace-loving Europe based on economic and political co-operation between all countries on the continent without discrimination. He noted that for all workers and democratic forces, the decisive question was the fight to give the Common Market a new economic and social meaning and to free it of the domination of large-scale capital, to democratise its agencies, and to promote economic co-operation and trade with all European states without exception. It was also important resolutely to encourage détente and

to strengthen peace in Europe, especially through an early calling of a European conference on security and co-operation.

The democratic alternative put forward by Communist and Workers' Parties in capitalist states is backed up by foreign policy acts of the socialist states which demonstrate their readiness for the widest international economic co-operation on the principles of equality and mutual advantage; faith in this alternative is strengthened by the example of integration within the socialist community.

The socialist states are also campaigning against the peace-endangering trends of imperialist integration. They put forward a programme of wide-ranging economic co-operation between states with different social systems on the basis of equal rights and mutual benefit; they initiate efforts to reduce international tension and they rebut the imperialist policy of international adventure.

In a speech to the 15th Trade Union Congress of the USSR, L. I. Brezhnev said, "The Soviet Union by no means ignores the actual situation in Western Europe, including the existence of such an economic grouping of capitalist states as the Common Market. We are carefully following the activity of the Common Market and its evolution. Our relations with participants in that grouping will, of course, depend on the extent to which they, on their part, recognise the realities of the socialist part of Europe, in particular, the interests of CMEA member countries. We are in favour of equal rights in economic relations and we are against discrimination."¹

The policy of economic consolidation of developing states that have taken the road to independence and oppose the economic dependence on imperialist powers has a special place within the world capitalist system. The economic coming-together of these countries results from the community of their interests in the anti-imperialist struggle and can play an important progressive role in promoting their national economies, accelerating their movement towards social progress. Within certain bounds determined by the deep-going social changes in these states, this economic coming-together not only reflects the general tendency to internationalisation of economic affairs, but it serves to express the trend towards the attainment of complete political and economic independence

¹ *Pravda*, March 21, 1972.

of formerly oppressed peoples, to the overcoming of coercive capitalist forms of economic consolidation.

Therefore, at the present stage of world social progress even within the world capitalist economy (with its economic amalgamation of states in the interests of the anti-imperialist struggle), the trend towards economic internationalisation gradually stops serving only as a weapon of economic enslavement of other countries by the monopolies of the imperialist powers. Moreover, it no longer serves as a factor involving them exclusively in the overall development of capitalism. The broad sweep of the anti-imperialist struggle creates conditions for that trend gradually to become free of the social forms that disfigure it and to bring the national and social liberation of peoples.

DISINTEGRATION OF IMPERIALISM'S COLONIAL SYSTEM AND THE PLACE OF THE DEVELOPING STATES IN THE WORLD ECONOMY

Analysis of colonialism and the national liberation movement has an important part to play in Lenin's teaching. When Lenin examined the territorial division of the world among imperialist powers at the turn of the century, he exposed the economic, social and political roots of that aspect of imperialism; he showed its connection with the domination of finance capital, he underlined the inevitability of burgeoning problems for a capitalist system associated with colonialism, beginning with the battle of imperialist powers to redivide an already divided world—fraught with world military conflicts—and ending with an upsurge in the popular liberation struggle in the colonies and dependencies against imperialist political enslavement and economic plunder; he highlighted the path to national and social emancipation for the people of the colonies and dependencies.

History has shown the correctness of the Leninist analysis of that aspect of the world capitalist economy. The 20th century has been not only an era that commenced with the completion of the collapse of colonial empires, it has been an era of the complete disintegration of the entire imperialist colonial system. The century has vividly demonstrated the fatal consequences of colonialism. The imperialist scramble to redivide the world frequently led to destructive wars; many socio-economic and politico-ideological manifestations and consequences of the colonial policy have often seriously hampered popular struggle in imperialist states for social liberation, democracy and peace.

Colonialism prevented economic, socio-political and cultural prosperity of peoples—even though they constitute a majority

of mankind; it doomed them to a life of poverty, it preserved archaic forms of social life, a backward economic structure and long-outmoded methods of production. Being for long a pillar of extended capital reproduction in the imperialist states, the colonial system at the same time became an ever greater brake on world economic development as a whole, it prevented rational utilisation of world manpower and natural resources, genuine integration of economic territories, and it narrowed the field of development of progressive forms of the international division of labour.

Colonial tyranny brought into being a powerful national liberation movement. In alliance with other great revolutionary movements and particularly relying on the moral-political and material support of socialist states, this movement brought about the downfall of colonialism.

In 1919, after the liquidation of colonial oppression in the national border regions of Russia, which Lenin had included in the six great colonial powers, colonies and semi-colonies accounted for 72 per cent of the world territory and 69.4 per cent of the world's population. The territory of colonies of such major imperialist states as the USA, Britain, France, Germany, Japan and Italy amounted to 36 per cent of the world territory and almost 25 per cent of the world's population. The British empire included, in 1919 for instance, dominions, colonies and protectorates, which accounted for approximately 26 per cent of the world territory and over 23 per cent of the world's population. In the same year, France's colonial possessions accounted for 8 per cent of the world territory and more than 3 per cent of its population. In the following 20 years, despite the advance of the national liberation movement, only 2 per cent of the world's population achieved national independence (not including the socialist world). In most cases, the imperialists still managed to retain colonial regimes and semi-colonial dependence.

The balance of power in the world radically altered to the detriment of imperialism after the formation of the world socialist system and the shift of the general crisis of capitalism to a new stage. The political map of the world was completely redrawn. By mid-1971, over 70 sovereign states had formed on the ruins of the colonial empire. Their territory amounted to 58.7 per cent of the world territory and their population to 47 per cent of the world's population. The territory of colonies and semi-colonies shrunk to 3.3 per cent of the world territory and their population to only 1 per cent of the world's

population. However, over 35 million people still languished in colonial dependence in mid-1971. The population of the last outposts of the colonial empires continues to fight for their liberation. In Asia, Africa and Latin America the movement is growing for complete eradication of all vestiges of colonialism and all forms of dependence on imperialist powers, against imperialist-imposed dictatorial regimes.

Lenin was right in forecasting an upsurge in the national liberation movement and coming victories of the colonial and dependent peoples. His theory of national liberation revolutions shed light on an entire set of problems of the anti-imperialist struggle of peoples in Asia, Africa and Latin America. This struggle is far from over with the attainment of political independence; it covers a certain historical period in which the heavy burden of colonial legacy has to be eliminated. The overwhelming trend is not a dying down but a growing of contradictions between imperialism and the developing states. Despite the evident desire of part of the national bourgeoisie to attain their class objectives by way of compromise with imperialist states, the role of the national liberation anti-imperialist movement in the world revolutionary movement is actually growing.

This is due to the fact, first, that following state independence, a new stage of the liberation movement begins for the former colonies and dependencies, a fight for economic independence, an upsurge in national economies and a guarantee of a new role in the international division of labour. This fight deals imperialism a more shattering blow than the declaration of state independence, insofar as economic independence alone signifies the attainment of genuinely complete national and state sovereignty, makes it possible to give an effective rebuff to neo-colonialist incursions, for only with the attainment of economic independence is the mechanism of colonial exploitation put out of operation. By itself, political independence does not bring liberation; furthermore, it is not always realised completely and remains under constant threat unless it is supported by economic independence.

Lenin stressed that finance capital has the greatest advantage in a situation where subordination is associated with the loss of political independence by the subordinate countries and peoples. He wrote, "Finance capital is such a great, such a decisive, you might say, force in all economic and in all international relations, that it is capable of subjecting, and actually does subject, to itself even states enjoying the fullest

political independence."¹ The task of ensuring economic independence, therefore, inevitably comes to the fore at the present stage of the national liberation movement.

Second, the revolutionary potential of the national liberation movement is growing because its present stage is in many respects a transition from national independence to social emancipation. This is, in turn, due primarily to the direct link becoming ever clearer between a consolidation of national independence, an upsurge in the national economy, a resolution of essential problems in raising popular living standards and social progress, restructuring the property relations system, and changing the correlation of various modes of production. At the same time, conditions develop for social progress: the share of the working class in the population of developing states increases, its opportunities expand for gaining the hegemony in the national liberation movement, its social and political activity increases, the stratum of democratic intellectuals who are mastering the ideas of Marxism-Leninism and are prepared to bear these ideas to the labour and democratic movements expands, Marxist-Leninist parties are established and strengthening, and the ideals of socialism are accepted by increasing numbers of working people. These conditions are being established at a rapid rate. The class contradictions and differences in objectives pursued by various social sections during the struggle for political independence had recently retreated into the background; now they are becoming manifest with increasing intensity, exerting a growing influence on the further development of the young national states. An increasingly severe class struggle is developing over the paths to be followed, the consistency of the anti-imperialist struggle, and the interests of national economic development. The very close connection between national liberation and social reconstruction is becoming more and more evident. As a result, the trend is strengthening to a widening front of the liberation struggle, its conversion from an anti-colonial to a consistently anti-capitalist struggle, the trend towards the single revolutionary stream of the movement against neo-colonialism and capitalist exploitation in general.

Third, the contribution of the national liberation movement to the world-wide anti-imperialist struggle is also growing because it is developing in greater unison with other sections of

¹ V. I. Lenin, *Collected Works*, Vol. 22, p. 259.

the world revolutionary movement, particularly with the world socialist system. Experience shows that Lenin's ideas on the need for the widest co-operation between socialist states, the international working class and the national liberation movement become more urgent with every passing year. That co-operation greatly determines the militant potential of the national liberation forces, their social progress and success for the whole world anti-imperialist front.

It would be wrong to think that national liberation revolutions in most developing states, leading to the creation of independent states, have been completed at the bourgeois-democratic stage from the social point of view. It would also be a mistake to regard most young national states as a stable link in the world capitalist system or as a reserve of imperialism. In fact, the deep-going trends of social development in those states testify to the enhanced role of the social and political forces which are striving to intensify the anti-imperialist struggle and its social vigour and to choose a socialist road.

It is true that certain tendencies exist to promote relations of "mutually beneficial support" between imperialist powers and national capitalists in the developing states. The imperialist powers try to act as a guarantor of maintaining capitalism in the developing states; they try to hamper any social changes that could endanger a "normal" emergence of a capitalist mode of production. At the same time, however, imperialism cannot prevent itself hampering capitalist development, since it is a competitor with local capital, an ally of feudal circles narrowing the opportunities for initial accumulation of capital by the national bourgeoisie.

The countries of Africa, Asia and Latin America differ radically in their social structure, balance of class power and scope and forms of revolutionary democratic movement. For example, in several African states which are experiencing the effect of capitalist development largely from without and in which mature local capitalist forms of economy are totally absent, an important place in the economy is held by a specific petty commodity-cum-patriarchal regime of colonial origin, where local society has not departed from the stage of establishing earlier capitalist relations. Here, conditions are forming for a non-capitalist path of development leading to the elimination of foreign capital and its influence on social relations in the country; this is paving the way for a transition to socialist construction, bypassing both the stage of mature capitalism and the stage of wide-scale formation of a local

capitalist mode of production which would take a dominating position in the economy.

The possibilities of such non-capitalist development cannot be applied to all developing states. In many of them, liberation from colonial and semi-colonial dependence and the beginning of independent statehood served as a stimulus for accelerating the growth in national capital. In order to consolidate their position, the bourgeoisie of these states began widely to employ state-capitalist economic methods. The formation and development in depth and breadth of the capitalist mode of production are accompanied by relatively rapid growth rates in many countries. As a result of the natural processes of capital reproduction national monopolies and a national finance capital have arisen in several developing states. This has happened, for example, in India, Pakistan, Turkey, Brazil, Argentina and the Philippines.

That does not mean that these states possess a social structure characteristic of economically developed capitalist states. The overriding tendency in world social development is not towards a conversion of newly independent states—even the large states—into new imperialist powers—even second-ranking ones. Many internal and external factors prevent this, including the narrow basis of the capitalist mechanism of accumulation and, most importantly, the overall social and economic situation which often encourages strong revolutionary movements. The specific features of social development in these states include the following.

First, in countries where local finance capital is entrenched, it exists in a backward economy and, although it uses the existing pre-capitalist and early capitalist economic forms on a mass scale in its own interests, it does not have a sufficiently firm basis for development, primarily in the sense of a sufficient maturity of social relations for the centralisation of capital. It remains a sector operating in relation to the entire remaining national economy as if from outside. Local monopoly groups are often closely associated with the finance capital of imperialist powers, are dependent upon it, play a subsidiary role in relation to it and live off the neo-colonialist excursions of the imperialist powers. Despite a certain rivalry with foreign capital, the overriding tendency is for local monopolies to co-operate with foreign capital and form a single mechanism of exploitation of the developing states.

The popular struggle against imperialism and foreign intervention in the economy is therefore increasingly being

directed today against local monopolies; the traditions of the national liberation movement, the urge to overcome the vestiges of the colonial and semi-colonial past accelerate the struggle against the local finance oligarchy and national monopolies and to deprive them of any stability.

Second, the accelerated development of capitalist relations sharply intensifies social differentiation, exacerbates the internal class antagonisms and enhances the social awareness of the working people. The unholy trinity of local capitalists, feudal powers and foreign monopolies creates grounds for a powerful upsurge in the revolutionary movement. An important feature of social relation in these states is also the rapidly growing contradictions between petty and medium bourgeoisie, on the one hand, and the big bourgeoisie, on the other; this makes it easier for certain sections of the national bourgeoisie to take part in the campaign for democratic change.

Third, the numerous unresolved problems of economic development, the tackling of poverty, hunger and disease, cultural backwardness, issues of vital importance for all countries, cannot be radically settled by the establishment and consolidation of capitalist relations; this is a great objective factor directing these states to another path that leads to a change in their social orientation internally and internationally.

The revolutionary potential of society, therefore, in developing states where a comparatively strong capitalist sector exists, is not exhausted with the attainment of national independence; on the contrary, the potential continues to grow. There exist favourable prospects for a non-capitalist development—understood here as a gradual regrouping of social forces, a growth of socialist tendencies during the acute class struggle, preparing the way for radical socialist changes even before mature capitalist relations deeply penetrate the whole economy of the country.

Conditions for progressive social change are maturing in many developing states, including those which have a relatively strong local big bourgeoisie. This is particularly evident in a number of Latin American states. Political events in India in recent years also show a worsening in the social contradictions and the advance of democratic forces. Despite the opposition of monopoly and large-scale capital and of former feudal elements, the Indian Government has begun to implement progressive social and economic measures, especially the nationalisation of big private banks. Wide sections of the

Indian people have actively supported the programme of progressive reform proclaimed by the government of Indira Gandhi.

The national-colonial issue is not, therefore, fully settled when the former colonies or semi-colonies attain their political independence. They need also to attain *economic* independence, to consolidate their political autonomy, to root out the terrible legacy of the colonial or semi-colonial past. Without breaking the bonds of economic imperialist intrigue and without strengthening their national economy, the peoples of these states cannot be confident of determining their own destiny. The focus of the struggle between imperialism and patriotic forces in the newly emergent states is increasingly turning to the economy.

The developing countries are still largely part of the world capitalist economic system, their development takes place under the great impact of the motive forces, laws and trends inherent in that system. At the same time, however, the objective requirements of their development come into sharp conflict with the very mechanism of operation of the world capitalist economy. New motive forces and trends are coming into being which undermine the basis of that mechanism.

The success of the anti-imperialist struggle of young national states to ensure genuine economic independence and complete political autonomy greatly depends on the social direction of measures they take, on the extent to which they consider the interests of the great mass of working people. The nature of the anti-imperialist struggle is becoming more profound and more enriched. Its participants are coming to realise the impossibility of resolving radical national issues by capitalist methods, while their countries are entangled in the world capitalist economic system. In the measure in which the fight to eliminate the consequences of the colonial or semi-colonial past becomes consistent and uncompromising, it is acquiring the character of a fight for national and social emancipation of the working people.

A new phase of the liberation movement is maturing in the Third World, in which the social content of the movement is increasingly coming to the forefront. The Central Committee report to the 24th CPSU Congress noted that at the present time "imperialism is being subjected to ever greater pressure by the forces which have sprung from the national liberation struggle, above all by the young independent and anti-imperialist-minded states of Asia and Africa.

"The main thing is that the struggle for national liberation in many countries has in practical terms begun to grow into a struggle against exploitative relations, both feudal and capitalist.

"Today, there are already quite a few countries in Asia and Africa which have taken the non-capitalist way of development, that is, the path of building a socialist society in the long term. Many states have now taken this path. Deep-going social changes, which are in the interests of the masses of people, and which lead to a strengthening of national independence, are being implemented in these countries, and the number of these changes has been growing as time goes on".¹

The world capitalist economy possesses an antagonistic contradiction between the use of national resources of countries that lag in their economic development, in the interests of economic progress, and of the entire system of economic relations between them and the industrial imperialist states. This is due to the use by the monopolies of the imperialist powers of the international capitalist division of labour to rape the national wealth of the economically less developed countries. The unequal and subordinate status which those countries enjoy in the international capitalist division of labour prevents a complete and rational use of their national resources; this results in non-equivalent exchange with the industrial capitalist states. International capitalist division of labour often acts as a brake on attempts to overcome economic backwardness; therefore, in order to revive their national economy, the developing states have to break conclusively with the international economic relations of the world capitalist system.

Colonialism was intended to unite economic resources by means of political and economic enslavement of backward nations by the more advanced capitalist states. It led to an aggravation of national, social and purely economic contradictions bringing the downfall of colonialism. Now, imperialism is again making attempts to realise the increasingly acute and many-sided objective requirements of national economies for international relations through a neo-colonial policy which subordinates the economically less developed countries by new means.

The world capitalist economic system prevents many peoples from attaining a genuinely independent and equal status in

¹ 24th Congress of the CPSU, pp. 23-24.

political and economic international relations. It distorts the process whereby nations come closer together, to the extent that this process is fraught with methods of plunder and coercion, subordination and enslavement of entire countries and peoples by a coterie of imperialist powers. The conditions of international capitalist division of labour are dictated by the side that is more powerful in an economic and political respect; they reflect the inequality of partners and they infringe upon the sovereign rights of peoples independently to dispose of their own resources. Within the world capitalist system, the international division of labour turns relations between industrial and developing countries largely into their opposite: being principally a powerful factor of economic growth, it becomes for the developing states a factor of degeneration, erosion of labour potential and natural wealth.

Imperialist powers continue to employ the international division of labour to consolidate and even to increase the vast difference in development levels between them and the former colonies and dependencies. Approximately two-thirds of capitalist industrial output are accounted for by four countries: the USA, Britain, France and the FRG, in which some 15 per cent of the population of the capitalist world live. The large group of countries whose development was for long held back by imperialist powers account for only one-tenth of the industrial output of capitalist states, although they comprise over 70 per cent of the population of the capitalist world. Despite the fact that industrial production in the developing states has recently grown somewhat faster than in the industrial capitalist states, this excess has been relatively small. The share of developing states in aggregate industrial output of the capitalist world remains very low.

An industrial structure remains which makes the developing states the raw material appendages of the industrial capitalist countries and the markets for their finished products. While, in 1953, the share of developing countries in the mining industry of the capitalist world amounted to 20 per cent, in 1964 it was 34.9 per cent, while their share in the output of the processing industry grew from 6.9 to only 9.2 per cent in the same period. Their lowest share was in iron and steel output (some 5 per cent) and in mechanical engineering (some 3 per cent). An irrational economic structure is maintained in these states and they tend to use labour resources inefficiently. Thus, the number of unemployed and semi-unemployed in Latin

America has recently reached 25 million, approximately one-quarter of the entire able-bodied population.

The major part of the population works in low-productive agriculture. According to the estimate of the West German economist, F. Baade, some 70 per cent of all families working in world agriculture still use the most primitive implements—the wooden plough or the hoe. These countries tend to have extensive agrarian overpopulation. Baade reckons that concealed unemployment in the farming of the developing states embraces no less than a third of the entire able-bodied rural population. The aggregate number of unemployed among the farming population of these countries is reckoned to be between 100 million and 150 million people.¹ Labour productivity is also much lower in the industry of developing states than in industrial countries. For example, productivity in the processing industry of developing countries is approximately six times less than that in industrial states.

Since the war, per capita national income in the developing states has risen, but its rate of growth has considerably lagged behind that of industrial capitalist states. As a result, the gap between developing and industrial states in per capita national income has widened. Before the war, per capita national income in the economically underdeveloped states was one-eighth of that in the economically advanced states, whereas today it is one-twelfth of the figure for the industrial countries. If the present growth rate of per capita national income in the two groups of countries continues, by the end of the century per capita national income in the developing states will be one-eighteenth of that in the industrial countries.

Despite the fact that since the war the rate of increment of gross national product has been somewhat higher, in certain periods, in the developing states than in the economically advanced capitalist countries, nonetheless the rate of per capita gross product increment in the developing states has systematically lagged behind the comparative rate in the advanced states. Consequently, the rift between levels of average per capita gross product in the two groups of states has increased. There has also been an obvious trend towards a lower growth rate in per capita gross product in a whole number of developing states for the past two decades. Even during the 1960s, when the increment in per capita gross product in the

¹ F. Baade, ... denn sie sollen satt werden, Oldenburg-Hamburg, 1964, S. 202-03.

economically advanced capitalist states was somewhat higher than in the previous decade, the increment in the gross product in many developing states continued to decline.

The overall statistics on production changes in all developing states taken together do not make it possible to distinguish profound differences in the rates of economic growth between individual states of this group. Thus, Middle East countries and some small countries of East Asia are developing at a rate that is higher than the average growth rate in the whole group of developing states, while many African and South Asian countries have much lower growth rates.

The developing countries also show profound differences, typical of the capitalist world, in the economic status of industrialising and agricultural regions. The extremely harsh living conditions of the farming population of many of these countries have virtually remained static for decades.

In the 1960s, the annual growth rates of per capita income averaged less than 2 per cent in Latin America, some 2 per cent in East Asia, 1 per cent in Africa and only 0.5 per cent in South Asia. At such growth rates, the average annual per capita income can only double in approximately 35 years in East Asia, 40 years in Latin America, 70 years in Africa and about 150 years in South Asia. In the USA, the average per capita income in the mid-60s, according to figures published by the Hudson Institute, was 7.5 times greater than in South America, and 18 times greater than in Africa; the Institute reckons that by the year 2000, the USA will exceed South America by 12.5 times and Africa by 22 times in average per capita income.

Bourgeois economists are usually far from optimistic about the future of developing states. For example, the statistics published to show how long it will take states to reach the level of gross national product per head of the population in the USA today indicate that the gross national product per head of the population of \$ 3,600 (the US level in 1965) will be reached by Sweden in 11 years, Britain in 19 years, Brazil in 130 years, Pakistan in 144 years, Colombia in 358 years and Indonesia in 593 years.¹

As much as one-fifth of the entire population of developing states regularly go hungry and 60 per cent suffer from nutrition deficiency. Over 4 million people die from starvation every year in the capitalist world.

¹ H. Kahn, A. J. Wiener, *The Year 2000. A Framework for Speculation on the Next Thirty-Three Years*, New York-London, 1968, p. 149.

According to FAO statistics on the calorie-intake of the population of 24 developing states, only in 5 of them did the daily food supply per inhabitant exceed 2,500 calories; in the remaining 19 countries the per capita intake was less than 2,500 calories (which means chronic undernourishment), including 2,350-2,500 calories in 3 countries, 2,000-2,350 in 10 countries and less than 2,000 calories in 6 countries. A minimum of 1,400-1,500 calories a day are necessary to sustain life.

If we look at the situation solely from the viewpoint of possibilities for using manpower, then according to the established scale showing the dependence of human labour capacity on the actual intake of calories necessary to sustain life (depending on the various climatic conditions), the labour potential of a person in these countries may only be utilised by 27.5-68 per cent. In Salvador, for example, average intake is 1,557 calories, which is equivalent, according to UN estimates, to only 53 per cent of the necessary calorie-intake; the labour capacity of a person thereby diminishes to 19 per cent of the level which would be possible with a normal diet.¹ That means that the low standard of living in the developing countries, particularly the insufficient calorie diet and its unsatisfactory structure (a small share of proteins) is the result of the weak economic development and directly characterises the level of their development, causing a low labour capacity of the fundamental productive force of society—man. Therefore, an improvement in diet alone could essentially raise productivity in many developing states.

Accumulation is a key problem of the Third World. The developing states do not have their own large accumulation resources because of the low economic level and their dependent, exploited status within the world capitalist economy. This greatly narrows the possibilities for restructuring the economy, technically re-equipping production and raising productivity. Due to the above-mentioned low living conditions, those bourgeois economists who propose using in the developing states, with a view to developing their productive forces, such accumulation methods for capital investment which involve a curb on the personal consumption of the working people are utterly ridiculous.

Progress in social relations is the first priority and decisive

¹ Ziele, Faktoren, Rationalität des ökonomischen Wachstums, 1968, S. 269-72.

condition of economic growth in the developing states and rejection of their subordinate status within the world capitalist economic system. Even with the present small amount of national income, it can be better used both for satisfying popular requirements and for production accumulation if the social character of its distribution is changed. With a low level of consumption and accumulation, glaringly apparent are the extremely disproportionate distribution of national income between various social groups, an extremely high share of consumption by the exploiting clique of society.

According to statistics published by the UN Economic Commission for Latin America, the richest sections of the bourgeoisie and the latifundists, which make up 5 per cent of the population, account for 30 per cent of total consumption; thus, per capita consumption in these privileged groups is 15 times higher than that of the less well-off sections which total 50 per cent of the entire population of Latin America.

In a whole number of developing states, landowners recently appropriated or still appropriate in rent between one-third and three-quarters of the entire harvest, using the proceeds for personal consumption (75 per cent in Pakistan, 75 per cent in Iraq, 38-80 per cent in Iran, 50-80 per cent in Lebanon, 75 per cent in Turkey, 80-90 per cent in Libya, 80 per cent in Morocco and 75 per cent in Tunisia). A radical agrarian reform is necessary rapidly to increase the income of peasants and widen the possibilities of production accumulation. This problem of social redistribution of national income is much less important in some African countries where the process of class differentiation has not developed widely.

Even more important than redistribution of national income between various social groups would be a new organisation of national production through progressive social and economic change, the concentration of economic accumulation in the hands of a progressive state and qualitatively new stimuli for economic progress. This alternative would accelerate economic advance and increase accumulation on that basis, with a higher standard of living for all working people.

The question of outside assistance to developing states is particularly important in resolving their problem of accumulation. Economic relations with imperialist states actually restrict opportunities. This is palpably apparent if we examine these relations over a long period. Attempts by many developing countries to find a way out of their economic backwardness by

attracting foreign capital are fraught with great economic danger. Foreign monopolies which invest capital in developing states have weighty privileges, are free of taxation for a long period and are free to export their profits. As a result, the monopolies extract great funds which, even in the short term, exceed total capital investment. For example, direct private investment by the USA in developing countries increased from \$5,700 million in 1950 to \$16,900 million in 1967, while the profit from this investment for the years 1950-1965 alone amounted to \$23,000 million, i.e., was more than double the new capital investment over the period (\$11,000 million). In Latin America, the profits of foreign monopolies exceeded the total of their capital investment by \$761 million in 1962, \$895 million in 1964 and \$1,022 million in 1967. The list of such facts could be continued indefinitely.

As a rule, the profits of foreign monopolies are not reinvested, they are taken from the developing states and often shipped back to the advanced capitalist countries. The export of profits in freely convertible currency exhausts the currency reserves of the developing states. Furthermore, foreign monopolies are switching to accumulation of local finance resources in the form of loans from local banks and share-selling, thereby broadening the base of exploitation of these countries at their own expense. No less important is the investment of foreign capital, as a rule, not in sectors whose development could accelerate economic progress and ensure economic independence, but in sectors whose development serves the interests of imperialist states and strengthens the subordinate role of the developing states in the economic relations of the capitalist world.

The export by monopolies from developing states of a large part of their income in the form of profits on invested capital, interest on loans and the repayment of loans, and the unfavourable terms of trade for developing states with imperialist countries undermine the basis of accumulation in the national liberation zones. During the 1960s, for example, the export of profits by foreign monopolies, the payment of interest on foreign loans and the repayment of foreign debts amounted to 35 per cent of income from exports in all Latin American states taken together, and over 40 per cent in Brazil, Chile and Mexico. Repayment of debts and payment of interest on debts are growing faster than the export receipts.

Various "aid" programmes are also used by imperialist powers to extract profits and further to enslave developing

states. These programmes do not include actions aimed at eliminating economic backwardness or at industrialising the newly free states. For example, the US "aid" programme for Asia in 1969 envisaged the construction merely of a single industrial enterprise—a mineral fertiliser plant in Pakistan. Only 5 per cent of the total amount of "aid" went to the needs of industrial development.

Foreign debt payments account for the greater part of new loans which the developing countries receive. According to a report prepared by an international group of economists, payments by South-East Asian states for previous financial "aid" comprised 52 per cent of new receipts between 1965 and 1967. Similarly, India was to receive a West German credit of \$62 million in the 1968/69 fiscal year, yet had to pay out \$60 million for previous loans in 1968.

Developing states cannot, however, forego loans or other funds from outside. It is nonetheless vitally important for them to gain a radical revision of the terms on which such funds are granted, to refuse to accept imperialist *diktat*, independently to resolve issues of using foreign loans. For that it is obviously necessary to conduct a staunch struggle against neo-colonialism, to strengthen progressive trends in home and foreign policy and to promote contacts with socialist states. Co-operation with socialist countries shows how equal economic relations help to improve the economies of the young national states. It convincingly shows that the overriding factor is not the size of loans but the terms on which they are granted, their genuine role in restructuring the young economies.

A radical reconstruction is a vital condition for overcoming age-old backwardness and unequal status in the world market. This springs to the eye when one analyses the terms of foreign trade of the developing states.

When one compares price changes for finished products and for food and raw material commodities, one sees a steady trend against the foreign trade of developing states. The process is one of great non-equivalent exchange between the industrial and the economically less developed countries of the capitalist world. For example, the American-made Caterpillar tractor was worth 100 sacks of Costa Rican coffee in market terms in 1954, and 648 sacks of coffee in 1969.

Price changes not only sharply deviate from productivity changes (as applied to the basic mass of a given type of goods on the international market) but are even diametrically

opposed to them. The level of productivity in branches of farming and the extractive industry, whose output goes to foreign markets largely from developing states, is increasing at a very slow rate by comparison with the level of productivity in the processing industry, whose main output enters the international market from industrial states. However, at the same time as the prices of finished industrial products are increasing, the prices on many types of raw materials are falling, or the prices of finished products are diminishing at a lower rate than those on raw materials. It is hardly worth expecting this balance between price indices to reflect changes in the international value of those commodities. It is obvious that the main influence is monopoly control of industrial powers over international markets, the economic *diktat* behind the mechanism of establishing monopoly high and monopoly low prices.

The imperialist states use various methods to maintain the non-equivalent character of foreign trade exchange, including economic "aid" accompanied by crippling terms. For example, countries receiving American loans are obliged often to use them for buying US goods. Often these goods are sold at prices higher than those on the world market. In 1965, for example, purchases of commodities in the USA on the basis of loans offered within the American "aid" programme cost Pakistan 13.5 per cent more than if it had bought them without the terms envisaged in the "aid" programme. Non-equivalent exchange is also encouraged by the industrial countries creating economically efficient production of artificial replacements of raw materials and the great increase in their own output of many types of farm produce. The demand for raw materials and food in international markets has often declined, which has even more intensified the unfavourable price trends on the world capitalist market for the developing states.

The unequal and subordinate status of developing states in the world capitalist economy is due to the retention in these countries of a backward economic structure; this entails an increasing gap in levels of productivity in the industrial and developing states. True, this gap by itself does not engender non-equivalent exchange, inasmuch as, no matter what the differences in the national value of commodities being exchanged, international exchange is of an equivalent character as long as the international value serves as the criterion for exchange. But in the world capitalist economic system, the industrial states use the differences to the detriment of

developing states and this inevitably leads to non-equivalent exchange. The gain of imperialist states from non-equivalent exchange is approximately three times greater than their profits from direct exploitation of working people in the developing states.

But even this is not the main point. The mechanism of the world capitalist economic system is such that exchange of activity between industrial and economically less advanced states, even if international value is the criterion, strengthens the position of industrial states and relatively weakens that of developing states. The very nature of the division of labour between these countries accelerates the development of one group and retards that of the other. Within the world capitalist system, relations of dependence of backward countries on advanced states are constantly being reproduced, and inequality in levels of efficiency of social labour expenditure not only in certain sectors of the economy but on the scale of entire national economies increases. Therefore, in regard to economic relations between industrial and developing countries within the capitalist world, equivalent exchange does not establish for developing states the material conditions for overcoming their backwardness; they are faced with the task of profoundly restructuring their economy and radically changing their position in the system of international capitalist division of labour.

In the 1960s, one more form of plunder of the developing states by imperialist countries became markedly significant. This was the so-called "brain drain". This occurred not only in the sense that many students studying in economically advanced capitalist states refused to return home, to developing states, on graduation, but also in the direct recruitment of specialists for emigration from developing states. Between 1957 and 1967, for example, some 30,000 specialists left developing states to go to the United States alone. This was equivalent to the USA receiving a subsidy of some \$1,200 million from developing states. As was noted at a session of the Consultative Committee of the Colombo Plan in November 1972, one-third of scholars then working in the USA and one-sixth in Canada had come from developing states.

The central long-term task of economic development in the developing states is to create a national industry, especially a processing industry. Only by such means can they ensure the use of labour resources, the rational utilisation of natural wealth, an increase in efficiency of labour expenditure,

accelerate the growth of national income and raise living standards. "Recommendations" from economists in the imperialist states to maintain basically the extant profile of the developing economies, to increase profitability on the basis of traditional economic relations with economically advanced capitalist states could only harm the developing states.

At the same time, in the complex conditions of these states, it is particularly important to take careful account of all factors in implementing industrialisation, above all in creating a state sector of industry. For example, in determining the size of enterprises—account must be taken of criteria of economic efficiency, the capacity of the domestic market, export opportunities, etc.; in determining the range of economic sectors—account should be taken of the problems of rational combination, of a raw material base, of the structure of the country's needs, the ways to improve the efficiency of the national economy; account should be taken of the needs arising out of solution of the tasks of doing away with dependence on imperialist states, of the possibilities of participating in the international division of labour which would not hamper but would promote the national economy. With an acute shortage of capital investment and difficulties in ensuring healthy balances of trade and payments, it is particularly important to be able more rapidly to release invested funds and expand the export of output of the processing industry. It is also crucial to take account of the short- and long-term possibilities for the comprehensive development of equal co-operation with socialist states.

The success of the industrialisation policy greatly depends on how carefully the country takes account of all these factors and the extent to which it resolves various tasks on a rational foundation.

The problem of establishing a national industry cannot be resolved without deciding the vitally important issue of improving agriculture. Lifting farming out of its abject state means for most developing countries laying the foundation for a multisectoral economic development, improving the foreign trade balance and saving great numbers of people from hunger and even starvation. In many developing states, the population growth surpasses the growth of farm output; sometimes an increase in farm production is only managed through exporting crops, while production of farm produce for internal consumption even diminishes. Not infrequently, in countries in which the bulk of the population is engaged in

agriculture have to import food; and imports rapidly rise. Therefore, an increase in agriculture and gradual regearing of farming to modern techniques occupy an important place in the programmes of economic development in the young national states. Their successful progress greatly depends on the social policy in rural areas, the conducting of agrarian reforms and the utilisation of opportunities for organising peasant co-operatives.

One of the most complex issues facing developing states is to combine modernisation of production with use of traditional production methods. With an acute shortage of accumulation and an excess of manpower, it is necessary to find, especially in the early stages of national production growth, an optimum variant of economic development which would enable the state to accelerate the increase in national income by means of raising productivity through better technical equipment, and by way of improving employment with minimum capital investment. In present conditions, most developing states can only successfully improve economic development and living standards if they strike the right balance.

The imperialist monopolies try to perpetuate the old international division of labour which suits their purpose, while the people fighting for political and economic independence try to do away with the unequal relations in the world capitalist economic system. The people want to establish truly equal and mutually beneficial international economic co-operation, and therefore decisively advocate a rupture with the crippling forms of economic coming-together inherent in capitalism. They are therefore undermining imperialist domination over a large part of the world economy and debilitating imperialist efforts to maintain inequality and oppression of entire countries and peoples.

The close alliance between young national states and the socialist countries, their joint efforts in the anti-imperialist struggle are an exceptionally important prerequisite for reinforcing the genuine independence of the emancipated peoples. A community of interests and objectives in the fight against imperialist coercion and colonial oppression, in favour of guaranteeing peace, binds the world socialist system and the revolutionary movement of the working class in capitalist states with the national liberation movement. The existence of world socialism, its political, moral and material support play an immense part in extending the liberation movement of oppressed peoples, in winning and consolidating national

independence. It is quite natural that the Great October Revolution in Russia in 1917, which marked a breach in the imperialist positions in one of the world's largest countries, brought the peoples of the colonies and dependencies into the mainstream of the revolutionary movement that swept the whole world. It is natural also that it was precisely the emergence of socialism beyond the bounds of one country and its conversion into a world system that signified the beginning of the end of the imperialist colonial system and its steady decline to complete liquidation.

The example of the socialist states instils in the people of the newly liberated states a conviction that they really can safeguard and reinforce their independence, make far-reaching social changes and ensure economic progress and higher living standards.

“The promotion of comprehensive co-operation with the socialist states encourages the economic and cultural renaissance in the ex-colonies. In his speech to the 1969 International Meeting of Communist and Workers' Parties, L. I. Brezhnev said: “The Soviet Union, together with other socialist countries, holds active positions in the wide and seething front of the national liberation movement, and renders firm political support and moral and material help to the peoples fighting for liberation.”¹ Assistance from the socialist community is aimed at strengthening the positions of the liberated countries in their fight against imperialist exploitation, for a break with the unequal international economic relations typical of the world capitalist economy. Help from the socialist community makes it easier for the young national states to resolve their radical economic problems, to overcome economic backwardness and to make economic progress.

The socialist community has increasing opportunities for rendering effective economic assistance to the young national states. It manifests a sincere readiness to help to create an independent and thriving economy in the countries free of colonial bondage. In offering aid, it never makes any political or military-strategic demands or conditions, any economic provisos that are burdensome for the developing states or infringe upon their sovereignty. Assistance from socialist countries is not like the hypocritical “aid” from the imperialists that endeavour to deceive the peoples, keep them in a status

¹ International Meeting of Communist and Workers' Parties, Moscow 1969, p. 170.

subordinate to imperialist *diktat* and pay various types of tribute to the major capitalist states. It is the assistance of an ally in struggle against oppression and economic backwardness. The socialist countries are against any scramble for profits, competitive notions or desire to subordinate the economic development of newly free states to the needs of their own economies.

The socialist states are ready to help the developing countries to free themselves from relations of dependence and bondage imposed upon them by the imperialist powers and the international monopolies; they encourage the process of progressive change in the modern world. This socialist readiness is being realised in various forms of assistance. This assistance is not associated with any conditions but, by virtue of its very essence, it encourages progressive principles in the economies of those states, creating and consolidating the state sector in their national economies, which serves as an economic foundation for their independent progress. This assistance helps gradually to prise the independent national states from the world capitalist economy; this can only occur successfully with the simultaneous extension of internal social reforms; it objectively encourages the choice by these states of a socialist orientation in their internal development and foreign policy.

The socialist countries render increasing aid for implementing programmes to create an independent national economy by deliveries of plant, the training of specialists and credit facilities. They take into consideration the opportunities of the newly liberated states, restricted by their historically formed backward economic structure, and purchase from them raw material and food commodities, handicrafts, etc. By creating their own processing industry, the young national states can more widely use the large markets in the socialist countries for their own finished products. The extension of co-operation with liberated states has an advantageous effect on economic development in the socialist states, encouraging their supply with certain important types of raw materials, with certain foodstuffs, increasing the share of plant and machinery in their exports and widening the possibilities for international specialisation and co-operation.

By contrast with the imperialist powers, the socialist community vigorously encourages industrialisation in the young national states. The imperialists try to hamper the establishment of key branches of modern industry. The socialist states, however, grant aid primarily for building iron

and steel and engineering factories, power plants and oil refineries. They encourage the greater efficiency of agriculture and a successful resolution of the food problem which is very acute for some of them (aid in building irrigation systems, deliveries of farm machinery, etc.). With the support of the socialist community, the young states are beginning to dismantle the colonial structure of their economies and establish their own base for the manufacture of producer goods.

The imperialist countries try to maintain economic relations predominantly with the private capitalist economic sector in the liberated states. They often try to campaign against the development of a state sector which might provide competition for foreign capital, strengthen economic independence and accelerate national economic progress. On the other hand, the socialist countries are ready to promote the state economic sector in newly free states, taking into consideration their real interests and the progressive role which it can play in the anti-imperialist struggle and in economic advance.

With Soviet economic and technical assistance, about 860 industrial enterprises and other economic projects have been built, are under construction or are marked down for construction in 45 developing countries; these enterprises include engineering and metal-working plants, chemical works and oil refineries, some power stations and light and food industry factories. A large number of enterprises is being or has been built with assistance from other socialist countries.

The USSR has given the new states large credit and loans for economic needs. Other socialist countries have done likewise. The terms of repayment take in, as far as possible, the opportunities of the young national states. The rate of interest is a quarter to half of that on credit from imperialist states. Credit is repaid not in foreign currency but in the commodities of national production which the country usually exports.

Co-operation with socialist states in manpower training, exchange of scientific information, and cultural values play an important part in eradicating the backwardness of the newly liberated countries, inherited from the colonial past. At the Lumumba Friendship University in Moscow, founded in order to train national specialists for developing states, as many as 2,335 people had graduated by 1970. The University had 3,092 students in early 1970 from developing states. Other

students from such countries were studying at many other Soviet establishments of higher learning.

The USSR is helping developing states train national personnel in a great variety of ways. According to information announced by the Soviet representative to the Second Economic Committee of the UN in November 1969, over 150,000 skilled workers and technicians have been trained in recent years by Soviet specialists directly at construction sites in the developing states. These states were building, in co-operation with the USSR, 115 educational institutions of which 70 were already in operation. Some 35,000 people from developing states have been accepted in recent years for vocational training in the Soviet Union.

The young national states were tackling many important economic problems with assistance from the USSR and other socialist countries. The Government of Egypt had first appealed for assistance to Western states to build the Aswan hydro-engineering complex. However, because of the Egyptian stand on anti-imperialism, the World Bank for Reconstruction and Development, controlled in effect by the USA, refused to finance part of the expenditure at the first stage of construction, even though it had initially agreed to do so. In 1958, the Soviet Union came to Egypt's aid and agreed to her request to provide credit for building the first stage of the Aswan High Dam to the amount of 90 million rubles over 12 years at the rate of 2.5 per cent interest annually. For the construction of the second stage, in 1960, the USSR granted a credit of 202.5 million rubles on the same terms.

A revision by Soviet experts of the draft plan compiled by big Western hydro-engineering firms made it possible to reduce the cost of construction and cut the initially set period by two years. Construction went ahead with the use of Soviet technology and the participation of Soviet experts. In 1964, the Nile was dammed and, four years later, the dam was completed. Already in 1967, the first power transmission line was in operation and Aswan electricity began to be used in Cairo. On January 1, 1970, the Aswan hydroelectric power station had a capacity of 1,575,000 kilowatts. In the same year, work on the Aswan hydro-engineering complex was completed. The power station is to generate an annual average of 10,000 million kilowatt-hours of electricity.

Egyptian industrialisation has received a great power base. It is hardly surprising that the beginning of construction of the Aswan complex is marked every year in Egypt as Industrialisa-

tion Day. The year 1964 saw the end to floods which had earlier accounted for damage at an average of 30 million Egyptian pounds every year. The Aswan reservoir ensures water supply for agriculture at times of extremely low water levels. Two or more harvests a year instead of one have begun to be gathered in as a result of the transition to round-the-year irrigation over an area of 240,000 hectares. Some 298,000 hectares of new land have been developed. The rice harvest increased from 149,000 tons in 1960-1961 to 2,279,000 tons in 1967-1969. According to Egyptian economists, Egyptian national income increased in 1967 by 80 million Egyptian pounds and, in 1968, by 100 million Egyptian pounds thanks to the Aswan hydro-engineering complex.

The USSR is also helping Egypt to build an iron and steel complex at Helwan with a capacity of 1.5 million tons of steel a year, to help the oil-refining and ship-building industries.

In India, by early 1970, 65 big industrial enterprises or other economic projects had been built or were being built with the credit assistance and technical co-operation of the USSR. Of the three iron and steel works with approximately the same capacity, which had been built in India with the help of the USSR, Federal Republic of Germany and Britain, the cost of the Bhilai Plant, built with Soviet assistance, was lower than the cost of the other factories, while the techno-economic indicators of production at it are much higher. The Bhilai Plant has long since passed its rated capacity and today smelts over three million tons of steel each year. This steel comprises 30 per cent of all Indian steel output. The plant, which is already making a profit, is further expanding its capacity to more than seven million tons of steel a year. With Soviet assistance, an iron and steel plant is being built now in Bokaro with a rated capacity of more than four million tons of steel a year.

The USSR has rendered great assistance to India in putting her engineering industry on a firm basis. With Soviet participation, a heavy engineering works was built in Ranchi, a mining equipment plant in Durgapur and a heavy electrical equipment plant in Hardwar. While, in building the Bhilai Plant, Indian engineering could only produce a little over 10 per cent of the equipment needed, the construction of the Bokaro Plant is assured of more than half its needs from the Ranchi heavy engineering plant.

In several countries, including India, prospecting for oil, which had been carried out for many years by monopolies of

imperialist powers, had not produced any results. These monopolies were interested in selling the oil they extracted and tried to retain the market of these countries for themselves. It was only with the help of specialists from socialist states that big oil deposits were discovered in those countries. Thus, Soviet oilmen discovered 20 oil and gas deposits in India. The oil thus obtained is being refined at plant in Koiyali and Barauni, built with Soviet assistance and having each an annual capacity of three million tons of oil.

Co-operation with socialist states has done much to promote the economic prosperity of newly free countries, their fight for equal rights in economic relations with industrial capitalist states and it facilitates the use of these relations for economic growth.

Favourable prospects now exist for further progress by the young national states. Their working people, inspired by the example of the socialist community, are stubbornly demanding non-capitalist methods for resolving national problems. Conditions are being created for a socialist orientation of independent national states. This is also being encouraged by the fact that, particularly due to the existence of the world socialist system, the peoples of the liberated states are increasingly doing away with imperialist *diktat* and gaining the freedom independently to choose the way they want to develop.

SCIENTIFIC REVOLUTION AND ECONOMIC COMPETITION

Economic development in the socialist states is a vital sector of the world-wide fight for socialism and communism. Lenin foresaw the revolutionary transformation of human society when he pointed out in the early Soviet years that the socialist state has an immense influence on world revolution through its economic development. The economy is of decisive importance in the competition between the two opposing world social systems. In a speech at the 10th All-Russia Conference of the Russian Communist Party (Bolsheviks) in 1921, Lenin stressed that the world-wide battle had moved to the economy and that the victory of socialism internationally depended on its outcome, "certainly and finally". He said: "That is why for us questions of economic development become of absolutely exceptional importance."¹

A real revolutionary is not someone who shouts ultra-revolutionary phrases from the rooftops and gives little thought on how to change the world through real actions. A real revolutionary conducts careful daily practical work to build a new society, remembering that highly developed material production is required to complete the construction of socialism and, even more so, the construction of communism. The outcome of the capitalism-socialism struggle will be ultimately decided in the sphere of economics. Economic competition between the two systems is, in the final count, one of the main decisive sectors of the class struggle on an international scale.

¹ V. I. Lenin, *Collected Works*, Vol. 32, p. 437.

In Lenin's works, we also find indications of ways to gain victory in economic competition with the capitalist system. Ultimately, Lenin said that "those who have the greatest technical equipment, organisation and discipline, and the best machines, will gain the upper hand".¹ He wrote that one should see the indissoluble link between consolidation of the social foundation of the new society and the development of its material and technical basis, between the improvement of all aspects of the socialist system and of scientific and technological progress. This acquires particular validity today when a scientific and technological revolution is under way, leading to a reform of the technical, technological and organisational foundations of production and producing much greater economic efficiency. The future rate of economic development and the possibilities for raising living standards greatly depend on the rate of scientific change.

The world socialist system has entered a new stage in economic competition with the world capitalist system—a stage of scientific and technological revolution—which already has a strong material and technical basis and had scored several important victories at earlier stages of competition; in the course of these, socialism is gradually squeezing out capitalism and gaining more and more ground in world production. In the last two decades, the share of the world socialist economy in industrial output of the world has doubled.

The socialist world is surpassing capitalism not only in rate of production growth but in absolute size of increment of various important types of industrial output. Since 1958, the share of the socialist states in world industrial output has been exceeding their share in the world's population; per capita production of industrial output in the socialist system in general is now higher, therefore, than in the capitalist system. This despite the fact that most socialist countries before the victory of popular power had a much lower per capita production than the average world figure. The socialist community as a whole has already surpassed the capitalist world in per capita agricultural output.

The Meeting of Communist and Workers' Parties in Moscow in November 1960 recorded: "In developing industrial and agricultural production in their countries at a high rate in keeping with the possibilities they have, the Communist and

¹ V. I. Lenin, *Collected Works*, Vol. 27, p. 195.

Workers' Parties of the socialist countries consider it their internationalist duty to make full use of all the advantages of the socialist system and the internal resources of every country to carry out, by joint effort and as speedily as possible, the historic task of surpassing the world capitalist system in overall industrial and agricultural production and then outstrip the economically most developed capitalist countries in per capita output and in the standard of living."¹

The Soviet Union is making a vital contribution to the victory of socialism over capitalism in world economic competition. The Soviet share in world industrial production was double, in 1970, what it was in 1950 (11.6 and 20 per cent, respectively), while the US share in the same period diminished by almost 1.5 times (from 43.7 to 30 per cent). In 1950, Soviet national income was 31 per cent of the US figure, while in 1971 it was more than 66 per cent. Back in 1953, Soviet industrial output was less than 30 per cent of the American, but in 1971 was more than 75 per cent. The average annual Soviet farm output for the period 1966 to 1970 was 85-90 per cent of the American figure.

In the conditions of scientific change today, the socialist system has entered a decisive stage of economic competition with capitalism: the task is to defeat capitalism in qualitative economic indicators, overtake it in growth rates of science and technology and the introduction of the latest scientific and technological achievements into production, achieve in all sectors a higher efficiency of live and materialised labour expenditure than has been achieved by the leading capitalist powers, and thereby attain the highest standard of living in the world.

In the years to come, the efforts of the socialist states will be even more directed at winning advanced positions in the main areas of scientific and technological progress. The CC CPSU report to the 24th Party Congress recorded that the changes in economic progress, begun under the impact of science and its inventions, will become even more decisive and far-reaching. We are faced by a task of historic importance: *to combine the attainments of the scientific and technological revolution with the advantages of the socialist economic system, more widely to develop the socialist forms of combining science and production.* Lenin's dictum that "economist must always look forward,

¹ *The Struggle for Peace, Democracy and Socialism*, Moscow, 1963, p. 45.

towards technological progress, or else be left behind at once"¹ is becoming even more relevant today. The problem of implementing the scientific and technological revolution and improving, on that basis, the economic efficiency of production is at the centre of attention of the Communist and Workers' Parties. The CPSU Central Committee Theses published to mark the Lenin Centenary said: "Science and technology in the present-day world have become an important arena of the competition between the two opposing socio-economic systems. A protracted and persistent struggle will take place here. The introduction of science into diverse spheres of social life, the fuller utilisation of the opportunities afforded by scientific and technological progress for accelerating economic development and satisfying the requirements of all members of society—such is the prime economic and political task. In guiding the building of communism, the CPSU proceeds from Lenin's counsel 'that learning shall not remain a dead letter, or a fashionable catch-phrase ... that learning shall really become part of our very being, that it shall actually and fully become a constituent element of our social life' (Vol. 33, p. 489). Running the economy in a Leninist way, in a communist way, implies reliance on science."²

The CMEA member states are entering a period of radical change to the scientific and technological basis of production with its accompanying profound shifts in the most diverse areas of social life. The time is coming to break with existing production techniques and create qualitatively new productive forces which would guarantee a sharp growth in efficient use of social labour. A historical period is coming to an end when production has gradually improved on the basis of traditional technical, technological and organisational principles, with the increasingly full use of the opportunities that emanate from them. A period is beginning of qualitative change in production when the latest attainments of science enable states to depart from their former traditions and move to fundamentally new research and development and organisational-production decisions to discover new and more rational economic balances, to alter the place and role of human beings in the production process and to continue economic development on a new scientific basis, more fully realising the

¹ V. I. Lenin, *Collected Works*, Vol. 5, p. 142.

² *On the Centenary of the Birth of V. I. Lenin*, Moscow, 1970, p. 56.

production potential created by it, up to and including organisation of conditions for a subsequent scientific and technological revolution.

The current scientific and technological revolution is a result of world scientific progress based on the present level of productive forces in the world, particularly in the economically more advanced states, on the entire wealth of the material and spiritual culture of mankind. However, the world today is divided into two opposing social systems. Important criteria which test the vitality of these systems include the contribution to world scientific progress, the scope and rate of revolutionary change in technology and techniques of production and, particularly, the nature of their social consequences.

Most of the CMEA states lagged many years behind the economic level of advanced capitalist states before the victory of popular power. They are now demonstrating the advantages of socialism as a world system if only because they are involved in the world scientific and technological revolution virtually at the same time as those capitalist states, in one and the same historical period. Moreover, the industrial revolution, which led at the end of the 18th and beginning of the 19th centuries to the creation of machine technology and large-scale industry in several then advanced capitalist states, embraced the majority of countries that have now taken the socialist road about a century later. In addition, in many of these countries, the transfer of a large part of the population to machine labour was accomplished, essentially, only in the years of popular power.

In the capitalist world today, participation in the scientific and technological revolution remains essentially the privilege of a few of the more advanced states. On the other hand, the CMEA countries combine efforts to ensure scientific and technological progress and, in particular, thanks to Soviet assistance, are with increasing success taking this path and uniting for scientific research and technological change. The socialist system, if even it does not yet occupy an unchallenged leading position in all areas of the scientific and technological revolution, at least is a pioneer in several of them and, on the whole, shares in determining the progress of world science, technology and production, together with the economically most advanced capitalist states, gradually strengthening its vanguard positions in depth and breadth. This is evidenced by Soviet achievements in space exploration, in the artificial Earth

satellites launched by joint effort of several socialist countries, the peaceful use of atomic energy, the construction in the USSR of the world's largest hydro- and thermal power stations, and other scientific and technological attainments of the world socialist system.

One of the major preconditions for the success of socialism in economic competition with capitalism has thereby been created. The CMEA member states have advanced to a position of full and equal participation in the world exchange of scientific and technological achievements. In a relatively short period, the socialist countries have established their own scientific potential thanks to which they have advanced to the foreground of scientific and technological development and, in a whole number of areas, they have been determining the world level.

That is not to underestimate the unquestionable attainments of the capitalist world in scientific and technological progress. The socialist states are in favour of a regular mutually advantageous exchange of scientific knowledge and technological novelties, creative contact and co-operation between experts in various states. The use in socialist states of capitalist scientific attainments is just as normal and useful a phenomenon as the granting by socialist to capitalist states of opportunities to become acquainted, on a mutually advantageous basis, with their own successes in science and technology. However, favourable conditions for such an exchange have been created precisely because all forms of monopoly of science and technology by the highly industrialised imperialist states have been completely eliminated. The socialist scientific and technological potential is already very great and is growing with every passing year. It is important, however, to use to the utmost these possibilities, to reveal existing reserves, to make scientific and technological progress even more intensive and comprehensive, to encourage in every possible way a more rapid use of scientific and technological achievements in production.

The arena of the scientific and technological revolution is becoming the main field of competition between the two world systems. Capitalism, clinging to the past in the social sphere, is trying to save itself by, according to the expression of the late Walter Ulbricht, "flight into the future" in the economic sphere. Gripped in the vice of internal and external antagonisms, imperialist circles bank on being able to exploit the current scientific and technological revolution for their own

interests. They are endeavouring to employ technical progress as a weapon of intensified exploitation of working people and of repartitioning foreign markets. The leading capitalist states are trying to speed up the scientific and technological revolution in the hope that a higher level of production development will give them the means of mitigating the most acute class contradictions, damping down the tensity of the economic and political struggle of the mass of the people against the domination of monopolies, which will enable them to consolidate their positions in competition with the socialist system.

The incompatibility of exploiting relations with all that is new and that advanced science and production are bringing into life of society is being increasingly demonstrated in the course of the scientific and technological revolution, which, in fact, is accelerating the growth of productive forces, bringing about essential changes in the social structure of the popular masses, and developing their urge for social justice, their need for self-expression, thus aggravating the social contradictions of capitalism. As Lenin once wrote: "Capitalist technology is increasingly, day by day, *outgrowing the social conditions which condemn the working people to wage-slavery.*"¹

Scientific revolution, far from consolidating capitalism, is leading to aggravation of all the contradictions of capitalism and shaking it to its very foundations. Its inability to ensure social conditions for the rapid development of productive forces is becoming more evident. The costs to society caused by the contradictory influence of scientific and technological progress on the capitalist economy are growing rapidly. The impending real revolution in the development of production, which is being prepared by contemporary scientific and technological achievements, demands with increasing insistence new social relations that are destined to open the way for the rise of productive forces.

At the same time, the scientific and technological revolution paves the way for a more rapid realisation of the advantages of the socialist mode of production. The previously existing level of world science and technology, together with a whole number of other factors, has objectively placed in relatively narrow boundaries the process of raising the efficiency of the socialist economy and the productive forces. With the im-

¹ V. I. Lenin, *Collected Works*, Vol. 19, p. 62.

plementation of scientific and technological revolution, the new system creates a material and technical basis that corresponds to the change much more fully. No matter how great the successes of the socialist states in developing social production, the present productive forces are still greatly insufficient for the consistent manifestation of the principles of the new social organisation of labour, for the complete utilisation of possibilities opened up by the public ownership of the means of production.

Due to the absence of a proper scientific and technological basis, for example, socialist society did not have the necessary know-how and technological means for full and effective economic accounting and control, for choice of rational variants of economic development, and so on. All this tended to reduce, in particular, the effectiveness of socialist planning; it often brought forced decisions based on insufficient information, incomplete understanding of the system of mutual economic ties, only a partial account of the economic and social consequences of particular economic measures.

The CMEA member states today have at their disposal scientific methods and technological means which can properly serve as a basis for realising the principles of mature socialism. In the coming years, economo-mathematical models of extended reproduction, the use of cybernetics and of computers and controlling machines will enable them to improve economic management substantially, better to guarantee the maintenance of optimum balance, to reveal and employ the vast reserves for accelerating the growth of the socialist planned economy.

Science is becoming a key sector of the economy determining the growth rates and economic efficiency of all other sectors. As the experience of the advanced states shows, no less than 50 per cent of national income growth is due to the introduction of scientific and technological achievements in production. In the world today, it is no longer empirical technological schemes that serve as a basis for theoretical generalisations and scientific conclusions, but scientifically grounded conceptions which become the foundation of improved technology. The time from receiving fundamental scientific knowledge to its technical use which, half a century ago, was approximately 20 years, has now in many instances been reduced to three-four years. World science opens up the broadest prospects of progress to technology and production.

The rate of growth of social production and consumption nowadays depends decisively on the scope and effectiveness of scientific research and on the time necessary to apply the results to production. The recoupment of basic production assets and the economical nature of materials depend not so much on direct expenditure on their manufacture as on the extent to which they reflect the latest scientific and technical achievements. A precondition for raising the scientific and technological level of production in the CMEA states is increased expenditure on research and development, and this at a rate which exceeds the rate of growth of expenditure directly on expanding production. One must suppose that in the long term, expenditure on research and development (both in special scientific institutions, design organisations and in the corresponding divisions of production enterprises) will, in absolute magnitude, too, surpass expenditure on capital investment in the usual sense.

The CMEA member states have at their disposal a powerful research apparatus. In all these countries taken together, the rate of increase in scientific personnel exceeds the average world rate (which doubled in the past decade). Thus, in the USSR, the number of scientific workers increased 2.3 times in the period 1961-1968 alone. The CMEA states account for one-third of all world scientific personnel, although their populations comprise only one-tenth of the world's population. With account for the rate of growth of scientific workers during the 1960s, it will increase approximately four times by 1980 by contrast with 1968. Within the given period, however, one should expect a further acceleration of this growth. The research base of the Soviet Union is particularly great, since the country accounts for a quarter of all scientific personnel in the world, which is more than in the United States.

As many as one million people work in the research institutes of CMEA countries. The following figures give some indication of the rapid growth in their share. In Czechoslovakia, workers in research institutions accounted for 1.1 per cent of all people employed in the national economy in 1956, and 2 per cent in 1965; in Bulgaria, the share of research workers increased even faster: in 1960 it accounted for 0.27 per cent of the entire employed population and 0.6 per cent in 1965.

In accordance with the mounting significance of research for promoting production, the CMEA states are allocating increasingly large sums of money for research purposes. For example, the Soviet state budget and other sources have increased their

appropriations on science between 1950 and 1968 by nine times. While, in 1950, such expenditure accounted for 1.4 per cent of the utilised national income, it had grown to 2.7 per cent in 1960, 3.7 in 1967 and 4.1 per cent in 1970. In the share of such research expenditure in the national income, the USSR surpasses all the economically advanced West European states by 1.5-2 times and is equal to the USA. The increasing share in national income of expenditure on research testifies to the rapid extension of the scientific research base of other CMEA countries. Hungary, for example, increased its share from 1.05 per cent in 1960 to 2.4 per cent in 1968; Bulgaria—from 0.5 per cent in 1960 to 1.5 per cent in 1968 and to 2.5-3 per cent under the plan for 1975; Poland—from 1 per cent in 1960 to 1.2 per cent in 1965 and to 1.6 per cent in 1970.

Along with a further increase in the number of scientific workers, the CMEA states are faced with the task of accelerating the consolidation of the material and technical basis for research institutions. To do that, they must continue to increase the share of corresponding expenditure in the national income, and more rapidly increase allocations earmarked for scientific progress. This is also necessary from the point of view of international experience: in the USA, expenditure on research has doubled every four years after 1957.

It is of particular importance, however, to increase the efficient use of scientific personnel and the material and technical base of scientific establishments. The CMEA countries have, in that respect, vast reserves; if they use them properly, they will be able to expand their scientific contribution, and increase the amount and results of research and development much faster than the growth of allocations for scientific progress.

Expenditure on scientific programmes is compensated by the effect obtained in production from applying their results. This effect is constantly on the increase. Even at the beginning of the century, technological novelties normally brought a productivity growth of between 5 and 20 per cent, while today they ensure often an increase of between 50 and 100 per cent or even more. According to estimates made in various countries, between 60 and 80 per cent of the increase in labour productivity comes from using the latest achievements of scientific research. Science has become a most profitable area of investment. Every ruble invested in fundamental and applied research and in design

and technological programmes produces 1.45 rubles increment in the national income. The effectiveness of expenditure on scientific research and preparation for the application of its results to production, therefore, is almost four times more than the effectiveness of usual capital expenditure. It therefore follows that the rate of growth of labour productivity and national income depends to a decisive degree on the scientific potential of a country and the entire world socialist system.

More and more attention is being paid in research and development to economic problems, insofar as the amount of expenditure on production of a finished commodity is predetermined to approximately 75 per cent precisely at that stage of production.

The "economic barrier" is being successfully surmounted in introducing scientific achievements into production. For example, the CMEA states are reducing the cost of electricity generated at atomic power stations and, in the years to come, such stations will become more economical than the usual thermal power plants. The use of nuclear power can double world energy resources. It would appear that, by 1980, the CMEA states will establish conditions to ensure a mounting increase in energy production, mainly through developing atomic power engineering. Several capitalist states are also paying increasing attention to atomic power stations in their economic forecasts. According to E.E.C. estimates, the generation of nuclear power in the Common Market countries in 1980 will increase to an equivalent of 90-125 million tons of conventional fuel, while the share of nuclear power in all power consumption will be 8-11 per cent.

In June 1954, the Soviet Union commissioned the world's first atomic power station with a rating of 5,000 kilowatts. It therefore made the first step in creating a qualitatively new power base. Channel-type graphite water and pressure water reactors are at present most widespread in the USSR although they enable the Soviet Union to use only a relatively small part of energy from nuclear fuel, nonetheless they have become economically profitable in areas where chemical fuels are relatively expensive. These reactors show good performance and can be improved even more. The CMEA states, however, are also faced with the problem of speeding up transition to a new and more progressive type of reactor which is becoming popular in

other countries. We refer to fast breeders in which nuclear fuel is used considerably more fully: they make it possible to use uranium approximately 20 times more fully than thermal reactors. The first fast reactor was built in the USSR back in 1955. By early 1972, construction work was completed on the biggest atomic power station in the world with a fast reactor in the town of Shevchenko. It is intended to speed up use in the CMEA countries of this evidently more promising trend in atomic power engineering. At the same time, world experience shows how complex is the problem of building up the capacities of atomic power stations. The difficulties that have arisen have led to American atomic power stations' capacities falling behind the original targets.

The further scientific and technological progress in power engineering opens up particularly favourable prospects for supplying the economy with power. If the use of the energy of nuclear fission, as is at present estimated, can double mankind's power resources, resolution of the problem of using the energy of a controlled thermonuclear reaction would make it possible practically to satisfy all requirements for cheap energy. Soviet science occupies a leading position as regards the problem of controlling thermonuclear reactions.

Today fundamental research on some cardinal scientific problems is at a stage where it is possible to foresee in the near future the completion of experiments with or formulation of missing elements in theoretical conceptions and, thereby, the emergence of important discoveries which will have a revolutionising influence on production. Some important discoveries are now at the stage of applied development.

Scientific revolution entails a radical and all-embracing technological restructuring of social production, which will be turned into a complex of automated production systems. The sphere of application of live labour will be sharply narrowed; its functions in production will be restricted greatly. Lenin was quite correct in foretelling that the progressive work of human technique consists in replacing hand by machine labour.¹ In the course of automation, not only will human beings become free of direct participation in the production process, but production will also to a

certain extent be freed of human participation; the production regime, techniques and technology will not be confined to the possibilities of the human organism. The transfer of many production functions, which up till now have been performed fully or partially by live labour, to materialised labour is ensuring a sharp increase in productivity of live labour. At the same time, the importance of materialised labour is increasing and its role in the production process is greatly expanding. As Lenin wrote, "technical progress is expressed precisely in the fact that the work of machines pushes human labour more and more into the background".¹

Emancipation of the working man from direct participation in the production process attains, in conditions of comprehensive automation, a stage when material production becomes, in a certain sense and within certain limits, a function of materialised labour. The processes of interaction of implements and objects of labour, as well as many planning, management and controlling processes which, up till now, have belonged to the sphere of mental labour, will be embraced by automation. Part of the human thinking functions, which can be formulated mathematically in the near future, will be transferred to electronic techniques.

Although man's place in the production process will sharply decline and his participation in production will be reduced to supervision and control, his role in economic progress will actually increase. The centre of gravity of human activity will be transferred to genuinely creative endeavour—the creation of fundamentally new means of production, new economic control systems. The tasks facing mankind are becoming more complex and they are having to deal with the programming of automated comprehensive systems and consciously controlling them.

Already today, production tasks which only recently were not affected at all by automation can be resolved with great economic benefit through automation. Only recently, for example, automation was considered feasible only in mass line production of identical standardised products; today, automation is beginning to be applied to small-batch and individual production through using programme-controlled automated equipment. This does not remove the problem of creating optimum production capacities. Up till now, the socialist states, especially the smaller ones, have not success-

¹ See V. I. Lenin, *Collected Works*, Vol. 1, p. 105.

¹ *Ibid.*, p. 85.

fully tackled the problem of eliminating scattered production or universal production programmes at individual enterprises that hamper employment of the advantages of specialisation and co-operation. Even many big enterprises do not have highly concentrated production of certain goods because of the extremely wide production programmes. Apparently in the immediate future, optimum size of production in each production unit will perhaps be among the decisive trends of organisational and technological improvement of social production. Intensification of the international socialist division of labour is to play an important role in this.

The use in production of radically new technological decisions is orientated, together with labour economies, even more than previously on improving the efficient functioning of basic production assets and on increasing the output of each unit within a certain period. A wider range of tasks in increasing the economic efficiency of social production is thereby being resolved by the introduction of new techniques.

Fundamentally new machine models, technological methods (in particular, chemical and electrical instead of mechanical), new materials, new sources and modes of power production (for example, the direct conversion of thermal or chemical energy into electricity), innovative organisational decisions will increasingly be used. Industrialisation in construction and the use of industrial methods in farming will be speeded up. Mechanisation and automation of managerial work and servicing operations will develop. A major feature of the contemporary scientific and technological revolution is the automation of production processes, computer operations and managerial functions, and the guarantee of operation of all links in the economy in accordance with cybernetics.

These long-term tasks are a matter of the not so distant future and their preconditions are being formed today. The CMEA states are on the point of widely launching themselves into resolving this whole set of tasks; they have already attained important success in many sectors of production (for example, automation in power engineering). In some areas of technological development the industry of these countries, particularly in the USSR, has moved to a higher level than the economically most advanced capitalist states. This applies, for example, to many sectors of metal-

lurgy, engineering and the chemical industry. Many people know of Soviet achievements in using sophisticated methods of steel smelting (including continuous steel casting), in building modern transport aircraft and in the development of artificial diamond industry. At the same time, the CMEA states have still to reach the top world standards in many other sectors of production. In particular, they have more rapidly to move to a wider scale of production, for example, of programme-controlled metal-working lathes, biological preparations for agriculture, etc.

A radical improvement of economic sectoral structure is a principle condition for implementing the scientific and technological revolution. The CMEA countries have basically resolved the task of ensuring the leading role of engineering, the chemical and power industries, whose share in their gross industrial output now exceeds two-fifths; this approximately corresponds to the level of the most economically advanced capitalist states, although when one makes such a comparison, differences in price formation in these countries are largely ignored. Nonetheless, in the production of electricity and of many engineering and chemical items, the share of socialist states in world production is still much lower than their share in aggregate world industrial output. For example, the socialist share in world electricity production amounted to 22.3 per cent in 1968 and in world chemical production to 22 per cent in 1967.

The trends towards the growth of the share of these three sectors will continue. One may expect that in the near future their share will be over half the total world production.

More complex tasks are today coming to the fore, primarily a considerable acceleration in growth rates of sub-sectors that are particularly important for technical progress: electronics, instrument-making, measuring instrument production within mechanical engineering; plastics and synthetic fibre production within the chemical industry, and so on. For example, Poland intends to increase the use of plastics per man from 3.7 kilograms in 1965 to 37.8 kilograms by 1985. At the same time, the problem of widely renewing the range of products of all industrial branches has become exceptionally great; this applies, too, to replacing outmoded products by modern ones which have more advantageous techno-economic indicators and more valuable consumer properties. It is necessary to accelerate progres-

sive trends in the fuel and power and raw material balance of the CMEA states: to increase the share of oil, gas and atomic energy in the sum total of power sources, to increase the share of oil in all raw materials used in the chemical industry, to develop the refining of oil products into protein preparations, and more widely to utilise scrap metal for increasing the output of steel smelting faster than that of pig iron production.

The structural shifts entail far-reaching changes in the material structure of the social product, in production techniques used in the most diverse sectors, changes in the fuel and power and raw material balances of a country; they alter the character of the participation of its economy in the international division of labour and international trade. They thereby engender a great variety of factors capable of having a big impact on the level of efficiency and growth rates of social production, of intensifying the economy even more. Having changed the range of production in a particular sector, it is possible to obtain an economic effect by reducing expenditure on the production of new types of product and by more effective use of new types of product in the sphere of production or personal consumption; the major saving of social labour is achieved precisely in the second instance.

The growing requirement of society for a more rapid extension of the non-production sphere will have far-reaching consequences. This is, on the one hand, an expression of the new opportunities of the CMEA member states for finding increasing efforts and means, with the growth in social productivity of labour in material production, for promoting the sphere of services, of education and health. On the other hand, this is due to the increasing dependence of material production on the development of the non-production sphere. Nowadays, its level greatly determines not only opportunities for increasing employment, but also the rate of development of human capabilities in regard to creative endeavour. While, in 1950, the share of the non-productive sphere in total employment comprised 12 per cent in the CMEA countries, it was more than 18 per cent in 1970. Apparently, the redistribution of manpower between material production and the non-productive sphere will markedly increase in the future.

The Communist and Workers' Parties in the CMEA countries attach special importance to the increasingly full

use of the opportunities which the scientific and technological revolution opens up for the improvement of the socialist system of economic management. Long-term planning in the CMEA states will increasingly be based on long-term forecasts of scientific-technological and socio-economic development, the plans of research and creation of new technology, and the skilled personnel training programmes. The CMEA countries are elaborating a concept of economic development for a long term which, being steadily renewed and improved, would serve as a basis for compiling five-year plans. That concept will be based on forecasts for developing various branches of science and production and of social relations regarded *in toto*.

The USSR is applying scientific forecasting to crucial problems of economic development and various sectors of the economy for ten-fifteen or more years. Scientists are forecasting shifts in the fuel and power balance of the country up to the year 2000, the development of a comprehensive transport system, and so on. Much interest is being shown, for example, in the Hungarian economic scheme for long-term structural economic changes in the country, and the work of Polish economists in long-term scientific planning in Poland. The CMEA states have elaborated and tested new methods for improving economic planning with the aid of a system of completed and planned inter-sectoral balance-sheets. These methods make it possible to study various versions of economic development and determine the economic efficiency of particular trends in technical progress.

The management of social production will acquire a firmer scientific foundation through conscious regulation of the economic interrelationships by applying the latest scientific attainments in developing management and information theories, and in creating means of information processing.

The economic planning of socialist extended reproduction is to change by widely employing scientific forecasting, elaborating optimum economic plans, selecting optimum variants of technological lines, enterprises and entire sectors of the economy. A firm foundation for this will be created by a more profound understanding of the laws of development of the socialist mode of production with the aid of mathematical methods and electronic computer techniques. The President of the USSR Academy of Sciences, M. V.

Keldysh, has said: "I believe that in the epoch of the current scientific and technological revolution, computers and the opportunities they present will have no less impact on the whole industrial and social development than the appearance of machine tools in the epoch of industrial revolution."¹ Automated control systems for operating economic and technological processes will function on a wide scale. A new and large economic sector is arising—utilising the latest achievements of cybernetics and electronics for forecasting, planning and controlling economic processes at all levels: on a scale of the whole of society, of individual sectors, regions and enterprises. A mechanism for conscious use of the objective economic laws of socialism will thereby be fully formed.

In the course of the scientific and technological revolution in the CMEA states a special role is attributed to higher qualifications of production workers and their ability to use modern techniques and improve them even more. According to certain estimates, the share of mental labour in the production of a particular item will, in the next ten-fifteen years, be some 70 per cent on average. Investment in manpower is acquiring extremely great significance for economic progress. Even today, the amount of expenditure required for educating the population (the so-called education fund) is attaining an immense size. For example, it is reckoned that in 1957 the educational level of the entire employed US population accounted for 42 per cent of the functioning capital of the USA. In 1965, the education fund of the entire Czechoslovak population amounted to 46 per cent of the value of the basic production assets of the country.

The need is increasing to maintain rational proportions between the expenditure of society on extending and modernising production assets, on the one hand, and on training skilled personnel, on the other. Expenditure on education to a certain degree predetermines the scientific and technological level of production over the long term. It must ensure a systematic rise in the level of training so that it meets the requirements to a higher degree than those of modern production. Each country must take into consideration in its training programmes the tendencies of the long-term development of productive forces. The longer

¹ *Pravda*, February 4, 1970.

the term of training of personnel in a particular speciality and the more intensive the improvement of technology and techniques of production within a given sector, the more important this task becomes.

Socialist society is becoming well-served with skilled manpower. Of the total number of people employed in the CMEA economies (including people engaged only in personal subsidiary farming) more than 11 per cent in 1966 had higher or secondary specialised education. Even in the post-war socialist states, nine-tenths of all specialists have been trained in the years of people's power.

The training of fresh detachments of specialists is continuing on a wide scale. The CMEA member countries had almost 5 million students in the 1966/67 academic year (3.2 times more than in the 1950/51 year) and 6.1 million pupils at secondary specialised schools. In number of students per 10,000 population (141 students in the 1966/67 academic year), the CMEA countries lead the world, surpassing many economically advanced capitalist states. The annual number of graduate engineers in the USSR, for example, is 4-5 times more than in the USA. In 1970, the number of graduate engineers in the USSR was 257,000, while it was only 52,000 in the USA; the number of diploma'd engineers in the USSR in 1970 was 2.7 times greater than in the USA. In the near future, most CMEA states will implement universal compulsory secondary education. One may expect that in the 1980s, the share of specialists with higher and secondary specialised education will be 25-30 per cent of all employed people in the CMEA countries; and by the end of the century it should be more than half.

Although the CMEA states basically have a satisfactory (for present-day economic development) supply of specialists to the economy, there is still a shortage of personnel in certain areas, especially in modern and rapidly growing sectors like electronics and the computer techniques, and in several sectors whose development had recently not received the attention they merited—like service industries, for example. The need has arisen to react to the requirements that come from implementing economic reforms, increasing the number of economists and specialists in economic law. The stage is now past, however, when it was a matter of increasing the number of specialists in general, simply because there was a shortage of specialists in virtually every field.

The problem of sharply improving the use of personnel has come to the forefront today. It is partly necessary still to establish the right conditions during training in educational institutions (for example, a more justified planning of the number of specialists to be trained, a higher level of training in accordance with the requirements of scientific and technological progress and, in particular, instruction in algorithmic formulation and programming of a wide range of scientific and production tasks, the mastering by various specialists of economic knowledge, etc.). A radical improvement in the process of using specialists is, however, the principal thing. The problem of raising the productivity of mental, in particular creative, endeavour today is acquiring prime and decisive significance. It is also necessary to do away with the present use of highly skilled personnel working in an area for which they are not qualified or that does not require a high level of know-how.

Qualitative changes are also under way in the vocational composition of the workers in mass trades. According to available statistics, by the 1980s the share of skilled, basically mechanised, labour in the overall expenditure of live labour in agriculture, too, may be as much as two-thirds.

The CMEA member states are now tackling the vital problem of the regular mass retraining of specialists, increasing their qualifications in accordance with the rising level of scientific knowledge. Today, the amount of knowledge obtained in higher education is often sufficient for only five or six years. Hence the need regularly to improve qualifications on a universal and compulsory basis. Although, the CMEA countries are already carrying out the necessary measures on a wide scale and have the necessary institutions, they need to create essentially a state system of retraining close in scale to the existing system of personnel training in order to resolve the task of retraining specialists in sufficient number and at a high enough level demanded in the near future.

Educational expenditure in the CMEA countries today amounts to between 5 and 8 per cent of national income. In 1968, the share of educational expenditure in Soviet national income was 7.2 per cent. The efforts of socialist society aimed at raising the general educational and vocational level of working people are greatly facilitating economic growth. In the USSR, for example, each ruble spent on raising the educational and qualification level of

the population has brought a yearly increase in the national income of 53 kopeks (100 kopeks=1 ruble). According to the GDR's economists, 20 per cent of the national income growth in the GDR between 1958 and 1964 came from the improvement in qualifications.¹

For the socialist economic system, the scientific revolution means transition to a new and higher stage of rational economic processes, which is expressed in expanding opportunities for intensifying socialist extended reproduction.

Rapid scientific and technological progress coupled with economic reforms in the CMEA states is to create conditions for a change in efficient use of social labour. Conditions will gradually develop not only for accelerating the rate of labour productivity in all branches of the economy, but for a significant and systematic increase in receipts from expenditure on materialised labour. Opportunities will open up to establish proportions between accumulation and consumption funds which will make it possible rapidly to raise living standards; conditions will form rapidly to expand the non-productive sphere and to reduce the working week. It is precisely the ratio between free and working time that will become in the future the main criterion of economic efficiency of socialist production.

The social consequences of the scientific and technological revolution in the socialist states will mean not only extremely great progress in more fully satisfying the mounting requirements of the working people. Their manifestation will be seen largely in further development of the socialist forms of social relationship between a worker and the means of production, the role of the working man in socialist economic management and the principles of distributing the social product. The high level of maturity of socialist production relations and the scientific nature of guidance of social development on the basis of qualitatively new productive forces will find their expression here.

Socialist society will successfully resolve for the good of mankind many complex problems and contradictions which will inevitably arise in the course of the scientific and technological revolution, and will create even more favourable conditions for the all-round development of the human personality. Work is already in progress on many of these

¹ H. Wolf, *Nationaleinkommen — Perspektivplan und Volkswirtschaftsplan*, 1967, Berlin, 1968, S. 42.

problems. They include combining centralised state control of a highly concentrated economy with greater popular initiative and practical participation in running society; ensuring greater creative endeavour of workers in mass trades; using free time in a rational way for enriching the human personality; obviating the adverse consequences of industrial development for the environment.

The path of carrying out the scientific and technological revolution for the socialist states is neither easy nor short. It would be wrong to put all our eggs in the basket of scientific progress, to imagine we only have to wait for the fruits of scientific progress to ripen. The process of accumulating material, organisational and other conditions for its implementation is still far from complete. The task of carrying out the scientific and technological revolution imposes serious demands on research and planning, on organising production and circulation, on education and effective means of material and moral incentives of the work force in the economy—on practically every sphere of social affairs.

We should not overestimate present world achievements in scientific, technological and production progress, on the basis of which people sometimes talk of the far-flung effects of the scientific and technological revolution. In any country of the world, even the most economically advanced, it is essentially still a question of relatively partial elements and not a comprehensive transformation of the economy on a new technical basis, only certain partial successes and not any qualitative leap in the development of productive forces. The scientific and technological revolution will take a long historical period which is likely to continue until the end of the present century.

The present stage of economic development in the socialist states is marked by the on-going scientific and technological revolution; it opens up new and great opportunities for the rapid expansion and comprehensive improvement of production and, at the same time, makes mounting demands on the mobilisation of all economic resources and on the organisation of their use. A high level of accumulation in the economy, an acceleration and intensification of structural economic changes are required in order to make full use of scientific progress. It becomes vitally important to resolve a whole set of complex economic problems.

The scientific and technological revolution, which is creating conditions for more efficient social production, therefore,

entails a faster accumulation of certain prerequisites in the form of greater capital investment and improved production organisation. It is impossible to put the economy on new scientific and technological lines without them being created. The extreme importance is quite evident of the work at present being done by the Communist and Workers' Parties of the socialist countries to improve the employment of their resources and the mechanism of economic management. This is a guarantee that the opportunities being presented by the scientific and technological revolution are to be realised.

The level of economic development which the world socialist system has already attained ensures increasingly stable material conditions for the peaceful advance of socialism in economic competition with capitalism. The following statistics testify to the socialist countries' success in promoting progressive sectors: between 1951 and 1971, oil extraction in socialist states increased 9.6 times, while in the other countries of the world by 4.2 times; the production of synthetic resins and plastics increased 27.5 and 19.7 times respectively; chemical fibres, between 1951 and 1970, increased 7.6 and 4.4 times respectively. Thus, the average annual growth in Soviet capital investment in these 21 years was 3.7 times higher than that of the USA. It has taken the USSR just 8 years to double the amount of its basic production assets, Britain—19 years and the USA—22 years. The present Soviet volume of capital investment is equal to that of the USA, although in 1950 it was only 30 per cent of the US figure.

The interests of a more efficient socialist economy and the tasks of economic competition with capitalism dictate, in particular, the need for a rapid establishment of conditions for transition, in many sectors of production, from a capital-intensive type of technological progress to a capital-neutral or capital-saving type. These conditions are being created as the latest scientific and technological achievements are being introduced into production. On the other hand, this transition would make it possible to increase both economic accumulation and the consumption fund more rapidly, would facilitate a further rapid scientific progress and technological re-equipment of production.

Certain shifts in reducing the capital-intensive nature of expanding production have occurred recently in several economically advanced capitalist states. This clear trend has slowed down the growth in the accumulation fund. In some of these countries, a certain increase in the growth rate of

production has been achieved with a stabilisation or a reduction in the share of production accumulation in the national income (as in France), although in several other countries (as in Japan), production growth has been ensured at the expense of a considerable increase in the share of production accumulation.

The need to increase efficiency of capital investment and the output-asset ratio is obviously among the most important aspects of economic competition with capitalism. Over the last 10-15 years, largely at the end of the 1950s and the first half of the 1960s, in many socialist countries, the dynamics of efficient use of materialised labour did not promote a higher national income. In recent years the dynamics of efficient use of assets has improved in many socialist countries.

Nonetheless, the socialist states still have to reach a stable superiority over advanced capitalist states both in level of productivity of live labour and in level and growth rate of efficient use of materialised labour; they need to create conditions for changing the balance between the mass of means of production being used and the entire output being produced with their aid in favour of the latter, to reduce the share of accumulation guaranteeing each percentage of national income increase. That would enable them, in particular, to accelerate the increase in industrial production, especially consumer goods, with the same or even a slightly smaller share of Group A (producer goods) in aggregate industrial output or to maintain the previous growth rate with a lower share of Group A and a correspondingly higher share of Group B (consumer goods).

The substantial rise in efficient use of resources for which the socialist system is creating ever wider opportunities will be a deciding factor guaranteeing the victory of socialism in economic competition with capitalism. Of course, one must take into consideration the existing differences in volume and the nature of economic problems in any comparable indicators of economic production efficiency in the socialist and capitalist states; for example, one must take into account the scale of the development of Siberia and the Soviet Far East and the big capital investment needed for the purpose.

The socialist countries also have to enhance the role played by labour productivity in resolving the task of overtaking the most advanced capitalist states in per capita output. In many socialist states, including the USSR, an increase in the work force has played a dominant part in resolving this task,

especially in the last decade. It is true that the economically advanced capitalist countries have also had wider recourse of late to increasing employment in order to bolster production. Therefore, a certain increase in the rate of industrial output, observable in the economically advanced capitalist states during the 1960s, may be explained both by higher labour productivity and by a faster rate of employment. It is, nonetheless, beyond question that in future a more rapid reduction in the gap in productivity levels in, say, the USA and the USSR must become the main and virtually exclusive factor in reducing the gap in per capita output. Soviet industrial labour productivity has caught up or even overtaken that of the economically advanced West European states, but its level in 1971 was only 54 per cent that of the USA. The CMEA member states attained in the past five-year period a faster rate of growth of social labour productivity by comparison with the previous five years. At the same time, they demonstrated their superiority in productivity growth rates over several industrialised capitalist states. Thus, between 1961 and 1971, the annual rate of productivity increase in the Soviet industry averaged 6.3 per cent and, in US industry, 3.3 per cent; in the latter five years, 1966-1970, Soviet productivity increase in industry was 5.8 per cent while the US figure was 2.2 per cent.

The two countries will come closer in industrial labour productivity largely through the increase in the asset-to-worker ratio and electric power per worker in Soviet industry and through improved use of existing production assets for the purpose of raising labour productivity, improving these assets and raising their performance characteristics. An important role is to be played in this respect by a reduction in the share of workers employed on auxiliary jobs (in 1965, some 28 per cent of all workers were employed on auxiliary jobs in the US processing industry; in many CMEA states, their share was approximately 1.5 times higher) and a smaller share of manual labour in their activity. Improved organisation of production and labour from deeper specialisation of production to less idle time and absenteeism, will have a great effect. The effect of the advantages of planned management of the socialist economy throughout society are sometimes reduced by the deficiencies in organising production and labour at the factories. In the course of the economic reforms in the socialist states, they are improving the organisation of production at all levels and sectors so that organisation of labour at each work place fully corresponds to a high level of organisation of social

production on a country-wide scale.

In regard to social productivity of labour (the volume of national income per person employed in material production) one important factor in reducing the gap in this indicator between socialist and the most advanced capitalist states will be the further approximation of the economic sectoral structure of these countries, insofar as a higher social productivity is associated, in particular, with a higher share of industry and a smaller share of agriculture.

The socialist states have to overcome objective difficulties during the implementation of the scientific and technological revolution and economic competition with capitalism. These are largely due to the specific nature of the contemporary period, a period of change in the development of social production within the socialist states. What is characteristic of economic development in these states is a certain closeness of the time of creation of their national industries and the start of the scientific and technological revolution. This involves a rapid obsolescence of new production capacities, the need for serious modernisation of recently constructed enterprises, the importance of a further accelerated reorganising of sectoral and assortment structure of industrial production, etc. Until now, equipment in major sectors of industry was completely replaced every ten years or less, today this replacement is noticeably being effected even faster. According to American experts, prior to 1940 it took plant and machinery in the engineering industry 10 years to become obsolete, 8 years in the 1950s and only 5 years in the 1960s. This is making increased demands on the investment opportunities of the socialist economies.

Following on the massive scale of new construction in the socialist states, the share of expenditure on plant and machinery is, in most cases, lower than in the advanced capitalist countries. For example, in 1965 this share was 42 per cent in Bulgaria and Hungary, 40 per cent in Poland and Rumania and 46 per cent in Czechoslovakia. Only in the GDR did the share reach 63 per cent, though previously, for a long time it was considerably lower. In the USA this share was 60-70 per cent of all capital investment at the end of the 1950s and beginning of the 1960s. Naturally, a larger share of investment in an active part of production assets is more favourable for greater production efficiency and the socialist states are creating the necessary conditions for increasing the share of expenditure on plant and machinery.

Another important problem being tackled in the socialist states is the rapid modernisation of existing enterprises. Since, in these countries, the major part of investment has been normally directed to setting up new enterprises and economic sectors, the possibilities of replacing existing equipment have not been great. As a result of the slow renewal of equipment at many enterprises, outmoded plant is being used and kept in operation by frequent repairs; it differs from modern equipment by its relatively low techno-economic characteristics.

The CMEA states are faced with the prospect of considerably speeding up the renewal of equipment. The conditions for this will be created by further redistribution of investment between new construction and the modernisation of enterprises already functioning, in favour of the latter. It is becoming more possible and necessary to restrict the requirements for capital repairs as a result of the wider immobilisation of outmoded equipment, the introduction of periods of depreciation which would make it economically viable to stop using equipment before the period of use expires and in the course of which it does not require capital repairs. This makes it possible not only to make a more efficient use of basic assets by their rapid systematic renewal, but also to release a mass of machinery and people at present engaged in capital repairs for basic production activities.

At the same time, the social and purely economic need is growing to raise the growth rate of living standards and increase the stimulating role of the consumption fund in production development.

It is necessary to take into consideration another important aspect: although the socialist states have reached a high level of vocational and especially general educational training of people who have studied under popular power, the average level of training of working people still remains inadequate, primarily because of the relatively poor training of people in the older age brackets.

The problem of further raising the level of training of the basic work force, in spite of the achievements, has not lost its acuteness. The level of training of factory workers sometimes lags behind the requirements of modern production. For example, individual and brigade instruction on the job is now losing its significance and it is becoming increasingly necessary to acquire a profession and to improve skills in an educational institution, even though, in many countries, the part played by

individual and brigade instruction in training workers is still quite great. In many complex specialities, it has become insufficient for highly skilled workers to have merely an 8-year general education and a vocational training for just one or two years. It is becoming increasingly necessary to have a general education for 10 years and a vocational training for 3 or 4 years. The existing lag of worker training behind contemporary demands is one reason for the enhanced requirements of the economy for specialists, inasmuch as a part of specialists are used only for compensating for inadequate worker training.

The involvement in the scientific and technological revolution of socialist states that have not yet established a relatively mature industrial complex is also a very complicated problem. But the socialist states do have the advantage of being able to avoid several traditional stages of technological development, having been directly involved in the present-day scientific and technological revolution; they are able to create the necessary production links, including in the "old" sectors, on an up-to-date technological basis, to avoid the path of production and technological development of the capitalist powers, and immediately to advance to forward positions.

The task of implementing the scientific and technological revolution in the socialist states requires, far more than any other economic tasks that were tackled by them in the past, an expansion of economic, scientific and technological co-operation among them, considerably more profound co-ordination in the division of production and research programmes, pooling of efforts and means, the co-ordination in the development of national economic complexes. This need is dictated by the possibility of having a substantial saving of forces and means as a result of socialist co-operation. Active involvement in the scientific and technological revolution would be generally impossible for many countries without the comprehensive promotion of relations with fraternal states and without socialist integration of their national economies.

The task of implementing the scientific and technological revolution can only be accomplished by the joint effort of socialist states. A very close interdependence has developed between the scientific and technological revolution and the extension of international co-operation within the world socialist system, insofar as this co-operation has become a major condition for attaining scientific progress in each country. On how successful a country is in expanding economic co-operation among fraternal states will in large

measure depend the resolution of current economic problems and long-term economic issues in each socialist state, which are associated with accelerated scientific and technological progress.

Economic integration processes have now taken an important place in the economic competition between the two world systems. The imperialist states are endeavouring to employ the trend towards economic internationalisation within the capitalist world for strengthening their positions in world production. Socialism is destined to win the contest with capitalism and to realise, within the world socialist economy, the possibilities for economic growth which form on the basis of integration. The economic coming-together of countries both in the capitalist world and, especially, in the world socialist system contains immense potential for encouraging economic development and for improving the efficient use of economic resources for each of the world social systems. It is obvious that, in the immediate future, shifts in the balance of economic power of the two world systems will considerably depend on which of them can best utilise factors for increasing production and speeding up scientific and technological progress; these factors are to be found in the mechanism of international economic integration. The socialist countries have fully to realise in practice the social conditions being formed in the world socialist system, which are immeasurably more favourable for economic coming-together than in the capitalist world. Implementation of the scientific and technological revolution in the socialist states will be a decisive means of consolidating the world socialist economy and bringing closer the victory of socialism in economic competition between the two opposing social systems.

* * *

With every passing year, mankind more and more profoundly understands the grandiose socio-economic and political changes in world development as testimony to the historic veracity of Leninism and as a triumph of Lenin's teaching. The creative development and enrichment by Lenin of Marxist thinking raised the theory of scientific socialism to a new stage in tune with the contemporary epoch. Historical experience has shown us that the theory and political practice of social-reformists, Left revisionists and other anti-Leninist trends are suffering bankruptcy, while Lenin's teaching is

increasingly mobilising mankind for building the new society and reforming the world.

Contemporary trends that characterise the progress of the world economy confirm the correctness of Lenin's ideas concerning the paths and prospects of revolutionary transformation of the world economy. The crisis of the world capitalist economy is deepening and the young national states with a progressive orientation are playing a new role in the world economy. Lenin's ideas on the revolutionary transformation of the world are most fully embodied in the world socialist system—the vanguard of mankind's social development.

In its revolutionary work, the international communist movement uses Lenin's ideological heritage with increasing consistency, skill and creativity; it gains a better command of Leninist methods of analysis and resolution of radical social problems. The contribution is increasing of Communist and Workers' Parties to the further development of Marxist-Leninist theory, including the elaboration of world economic problems on the basis of Marxism-Leninism. The result of their activity is socialism consolidated in the world, mounting revolutionary activity by peoples in the capitalist states, increasingly broad practical realisation of the expanding potential of the anti-imperialist struggle throughout the world and a more rapid maturation of conditions for socialist revolutions. "This is an expression of the natural process of transition from the pre-history of human society to its true, consciously wrought history."¹

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¹ *On the Centenary of the Birth of V. I. Lenin*, p. 37.

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