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Settlements in transferable rubles may also be performed on bilateral clearing accounts, conducted by the banks of both partner countries according to their mutual consent.

Forms of settlements in transfer rubles are those generally accepted in international banking practice (collection, letter of credit, payment order, etc.). The utilization of a certain form of settlements is determined by the agreement of the banks of the interested countries.

Settlements in transfer rubles may cover:

- * settlements on separate commercial contracts, on non-commercial and other transactions,
- * settlements on the total trade turnover of the country that is a non-member of the IBEC with individual member countries of the bank,
- * settlements on the total trade turnover of the country that is a non-member of the IBEC with all member countries of the bank.

While performing settlements on individual deals and also on the total trade turnover of non-member countries with individual IBEC member countries, the bank furnishes credits to the banks of member and non-member countries in transfer rubles for periods of up to three years. Credits are granted for concrete terms and with the purpose of carrying out agreed settlements.

Interest is charged on credits at the rate of 1.5 per cent per annum.

The IBEC concludes agreements with banks of the interested countries on the procedure and conditions for granting and repaying credits in transfer rubles. Agreements may envisage a possibility of repaying in a convertible currency the credit received in transferable rubles.

Current accounts in transferable rubles with the IBEC carry an interest at 1 per cent per annum.

The banks of non-member countries of the IBEC while performing settlements on the total of their turnover with all the member countries of the bank may take credits and place deposits in transferable rubles on the above conditions now in force for the member countries of the bank.

The banks of non-member countries which participate in transferable ruble settlements may notify the IBEC of their withdrawal from participation settlements. The procedure for the withdrawal from participation in settlements is established by agreement reached between IBEC and the interested bank.

The IBEC is ready, as need be, to furnish any additional information concerning settlements in transferable rubles.

International Bank for Economic Cooperation
Moscow, 1976

"Gold and the Monetary Crisis"

Dec. 16 — This week's issue of Ekonomicheskaya Gazeta, the weekly of the Soviet Communist Party's Central Committee, published the following article, reprinted under its original headline. The article was authored by E. Bukhval from the Economics Institute of the USSR Academy of Sciences.

The present phase of the crisis of the financial-monetary system of capitalism is closely connected with a change in the role of gold as its basis. Substantial changes have occurred in this area in recent years. This is indicated, in particular, by the collapse of the international monetary system based on principles of a gold-currency standard (known as the "Bretton Woods" system), and the noticeable activation of plans for so-called "demonetization" of gold, i.e. depriving it of its functions as a monetary commodity and the basic international reserve and instrument of payments.

Basic Tendencies

The evolution of the economic role of gold is taking place in the context of the deepening general crisis of capitalism and the growth of inter-imperialist contradictions....

The reasons for the crisis phenomena are to be found in the objective contradictions of the capitalist system of the economy, in the intensification of state-monopoly regulation of the economy in the interests of big capital,

and in its militarization. As a result, recent years have seen a sharp increase in unproductive, above all military, consumption of goods and services by the state. Thus, in the USA this volume in 1975 was \$340 billion as against \$38 billion in 1950. Direct military expenditures are ceaselessly growing: the U.S. is allocating over \$100 billion for this purpose in fiscal year 1977.

The growing scope of state consumption and financing in the capitalist economy depends, as a rule, on the practice of so-called deficit financing, i.e. expenditures systematically exceed revenues in the budget. For example, the total deficit of the U.S. federal budget for 1951-1975 was around \$190 billion.

The chronic lack of balance in the capitalist countries' finances leads to an excessive issue of credit, which is one of the main sources of inflation and devaluation of money. The aggravation of inflationary processes is directly linked to the growth of monopolies' profits through raising prices and attacking the vital interests of the workers.

The gold basis of capitalist currencies, to a certain extent, inhibited the growth of super-profits for the monopolies, because it limited "deficit financing" and price manipulations. Thus, the interests of monopoly capital prompted a reconstruction of the monetary-credit and currency system of capitalism. The process of replacing gold by credit means of exchange has led to a situation where it is completely out of domestic

exchange, and state and private gold reserves have lost their classic function as a monetary reserve in the domestic financial mechanism. The currencies of the capitalist countries ceased to be convertible to gold and in the majority have no gold guarantee whatsoever.

Gold and Dollars

At the end of the Second World War, American monopoly capital, relying on the economic might of the U.S., attempted to give the dollar the status of a gold equivalent as an international reserve and means of payment — this characterizes the gold-currency, or more accurately the gold-dollar standard.

In those years, the dollar's position as an international currency rested on two basic factors: the relative stability of its purchasing power and the ability to exchange accumulated dollars for gold at a fixed rate — \$35 an ounce.

Now the situation in the international monetary system has changed fundamentally. While in 1949 the gold-currency reserves of the U.S. exceeded its short term foreign obligations 2.8 times, by mid-1976, American reserves of \$18 billion (of which 11.6 billion were in gold) stood against \$130 billion in short-term debt, including about \$65 billion of debt to central banks and monetary institutions of other capitalist countries. Simultaneous presentation of these overseas dollar assets for exchange into gold would have meant the complete bankruptcy of the U.S. But at the present time, this eventually is excluded. In August 1971, the U.S. deliberately tore the tie between gold and the dollar. The world gold-currency standard turned into a fiction.

The present economic crisis, which began in 1973, worsened the monetary disorder in the capitalist world. This is indicated by the devaluation of a number of currencies, the unprecedented collapse of British pound sterling, and the sharp aggravation of monetary contradictions between the U.S., the "Common Market" and Japan. Inflation and the instability of currency exchange rates are ever more often intensifying with periodic "monetary fevers", arising from the speculative machinations of the monopolies.

In recent years, in the course of numerous discussions of the question of the role of gold, leading capitalist countries, opposing the immediate "demonetization" of gold which the U.S. was seeking, nevertheless agreed to hand over the function of world currency to the so-called "paper gold" or "Special Drawing Right" (SDR) — a type of international credit issued by the International Monetary Fund (IMF).

The collapse of the gold-currency standard system convincingly demonstrated the impossibility of replacing gold with any national currency, even one based on a great economic capacity. The SDR's are more stable, since they have the character of international credit, but their potential for use as a real alternative to metal money is extremely limited.

Illusions of "Demonetization" and Reality

Bourgeois ideologues have attempted to portray the tendency to replace gold by instruments of credit in

exchange as a process of "demonetization." The untenability of such attempts is obvious. Capitalism remains, in the epoch of state-monopoly relations, an economy of commodity production, and therefore the role of gold in the capitalist economy, especially in the monetary-finance sphere, remains highly significant.

While the tendency has developed to replace gold by paper monies in domestic exchange...in foreign transactions gold normally acts in its natural form of a world money. The function of gold as a reserve purchasing means as well as the general expression of social wealth, protecting currency accumulations from inflationary devaluation, is preserved under modern conditions.

At the present time, a sort of "quadrangle" of reserve means lies at the basis of the international monetary system: gold, foreign currencies, reserve positions (i.e. the right to receive credits without conditions) in the IMF, and SDR's.

International financial statistics show that the portion of reserves based on international credit is still a small 15 per cent of total liquid resources of the advanced capitalist countries, and, of this, 7 per cent is SDR's. Taking all IMF members among capitalist and developing countries, the proportion of SDR's in official reserves is even lower — about 5 per cent. And the utilization of SDR's is fundamentally limited to the narrow sphere of inter-governmental transactions, making them unable to avert either the devaluation processes or the fluctuation of exchange rates of capitalist currencies. Most reserves are "lowest grade" liquid resources — foreign currencies (two thirds of them U.S. dollars). But these bank-deposits are inconvertible into gold or SDR's.

Under these conditions, the stability of international trade and payments requires the existence of a certain size of gold accumulations in the hands of participants in trade. This is verified by the striving of the majority of capitalist states to actively use their gold reserves in international transactions and credit operations.

Thus, it is not "demonetization" of gold that is taking place, but a modification of its functions in the capitalist economy. One of the most important aspects of this process is that the deepening instability and inflationary character of the capitalist monetary system is raising the role of gold as a real world money and intensifying its function as a reserve and guarantee of international obligations.

"Edging" gold out of its economic mechanism, the capitalist economy still needs it as a stabilizing element. The source of the crisis of the present monetary system does not lie in gold or any other single component, but in the unstable and contradictory character of the entire capitalist economy as a whole, and no attempts at "demonetization" are capable of creating conditions to overcome it.