

Soviet think-tanks scrutinize international monetary system

The policy-shaping debate over gold, SDRs, and the transfer ruble

The report in a West German newspaper that Soviet Prime Minister Kosygin took special time while meeting West German trade and industry officials earlier this month to inquire in detail about the European Monetary System (see *Executive Intelligence Review*, Vol. V, No. 36, Sept. 18-23) confirmed how closely Soviet leaders are watching the transformation of the international monetary system by the EMS. Now in the process of drafting the 1981-85 Five Year Plan, the Soviets are looking to the new arrangements for prospective ways to finance East-West trade — which must be calculated into the Plan — on the scale initiated by the 25-year cooperation agreement negotiated between President Brezhnev and West German Chancellor Schmidt.

Behind the success of the Brezhnev leadership in committing the USSR to collaboration with Schmidt and the other Western leaders on a trade-based road to economic recovery and strategic stability, a wide-ranging battle is taking place in the Soviet Central Committee policy-making apparatus and the think-tanks of the CC and the Soviet Academy of Sciences. It has surfaced in an article in the most recent issue of an academic Soviet economics journal, which demonstrates that a heated factional discussion is occurring among Soviet economists regarding the role of gold in the international monetary system.

In the July-August issue of the *Moscow University Bulletin/Economics*, A.I. Stadnichenko, a senior economist at the Institute of Oriental Studies of the Soviet Academy of Sciences, vigorously defends the historical role of gold in all economic systems and predicts a revival for gold on an international scale in the near future. Stadnichenko identifies International Monetary Fund circles as the main enemies of gold and labels the Special Drawing Right their main weapon in the "anti-gold campaign."

Equally important is that Stadnichenko directly polemizes against the Soviet Union's own antigold faction, stopping just short of accusing them openly of advocating Soviet capitulation to the International Monetary Fund. The fact that he targets writings in the magazine of the Academy's Institute of the World Economy and International Relations (IMEMO) pro-

vides a clue to the profound ramifications of this factional clash. IMEMO, a nexus of British agents-of-influence in the Soviet Union has turned up in the eye of the storm over a gold-based monetary system and the EMS in particular.

On the other side, Stadnichenko explicitly places himself and his progold allies in the modern Soviet Union in a continuous historical tradition dating back to the time of the Rapallo treaty between Soviet Russia and Germany in the 1920s. To judge by Stadnichenko, these people refer to themselves as the same faction — Lenin's faction — that elaborated the Soviet proposals for a gold-backed international monetary system submitted at the 1922 Genoa Conference; the faction that fought to uphold the role of gold during the 1930s, when Anglo-American forces were bent on destroying it by organizing an international boycott of Soviet-produced gold and driving down its price on the international markets; and the faction responsible for designing the gold-based transferable ruble system in the Council for Mutual Economic Assistance, today's Soviet sector economic organization.

Stadnichenko's "On the Question of The Evolution of the Economic Functions of Gold"

After briefly relating the positive role of gold in the historical evolution of the capitalist economy, Stadnichenko indicates that this positive role is not something specific to capitalism. After the Bolshevik revolution, the Soviet party drew similar conclusions about the new Soviet currency. "It is thus not surprising," he writes, that at the Eleventh Congress of the Bolshevik Party, held in March-April 1922, "while Lenin was still alive," resolutions adopted by the Congress stressed that Soviet "economic and financial policy is emphatically oriented towards restoring a gold backing to our money. . . ."

Stadnichenko notes that this principle has been upheld ever since, in the face of all difficulties, such as the attempts during the 1930s to boycott all gold mined

in the USSR and related attempts to drive down the price of gold on the international markets.

Efforts to remove gold from the international monetary system have continued also, he notes, but have never completely succeeded. In this connection, he underlines the progold role of Charles DeGaulle.

The SDR issue

Stadnichenko then launches a polemic against the International Monetary Fund's "paper gold" Special Drawing Rights (SDR). Following a standard antigold argument that the yellow metal is "outdated as a monetary instrument," he writes, the creation of the SDR was accompanied by claims that gold had become inadequate since the volume of world trade so

greatly exceeded the amount of gold reserves. Stadnichenko debunks that argument by pointing out that the question has never been to have exactly as much gold as the volume of world trade. The issue is the clearing function of gold.

Nevertheless, continues Stadnichenko, "many economists saw in the SDR a kind of embryonic form of world money," and insisted all the more that gold had already or would shortly lose its monetary function. "Here, it turned out that there were adherents of this view among Soviet economists as well."

The SDR in fact, counters Stadnichenko, is the main weapon in what he calls "the anti-gold campaign." Its supporters claim wonders for the SDR. "But actual experience of using SDRs has shown that they are not

The debate extends to methodology: 'systems analysis' comes under fire

The Soviet Union was represented at the recent World Philosophy Conference in Düsseldorf, West Germany by Dzhermen Gvishiani, the Deputy Chairman of the State Committee on Science and Technology and also the son-in-law of Prime Minister Kosygin. A key figure in Soviet trade and other contacts with the West, Gvishiani has also been identified over the years with the advocates of "systems analysis" in the Soviet Union, and he co-heads with McGeorge Bundy the International Institute of Applied Systems Analysis (IIASA) in Vienna. The Institute has been a channel for British reductionism, aimed to infiltrate Soviet thinking in the vital areas of planning and scientific development.

Gvishiani's speech in Düsseldorf may turn out to have been the death knell for the IIASA operation. He asserted that not systems analysis, but the ideas of V.I. Vernadskii, the great Soviet scientist who developed the study of the biosphere and the noosphere, where human creativity becomes the defining element of world development—are fundamental to Soviet science. The truth of Gvishiani's statement is clear, for example, in the progress of the Soviet nuclear program, which received its initial impetus from Vernadskii in the 1920s.

Moreover, Gvishiani's new orientation evidences that the policy debates within important Soviet institutions have penetrated to basic matters of methodology, such that the reductionist doctrines of "Marxism-Leninism" are going to be seriously challenged.

Our correspondent Helmut Böttger reports from Düsseldorf that Gvishiani, speaking on a panel devoted to philosophy and its relation to science and

technology in the future, appeared after a British professor who had defined the difficulties "inherent" in science and technology as practically insoluble. Gvishiani, speaking extemporaneously, stated from the start that Soviet science has no such problems, for Soviet science is based on Vernadskii's idea that nature is not fixed, but is in a process of development.

Although systems analysis is a useful tool for some very specific tasks, Gvishiani continued, Soviet scientists have found that it is inadequate beyond a certain point. They have had to return to philosophy, particularly for the conceptualization of future development of science and technology. Where systems analysis is insufficient, what is important is the genius of the human mind. Gvishiani again linked this to Vernadskii's insistence that the development of the human race is part of the qualitative development of nature.

Gvishiani was emphatic in reminding his audience that, while he was working a good deal at the IIASA and it had government financing, the Institute was a private body, whose opinions are *not* the opinions of the Soviet government.

In conversation with correspondent Böttger following his speech, Gvishiani was pleased to receive a copy of an address on the philosophy of education delivered by Lyndon H. LaRouche, Jr. at the opening last May of the Humanist Academy in Wiesbaden, West Germany. LaRouche, the chairman of the U.S. Labor Party, has frequently included harsh critiques of systems analysis in general, and its advocates in the Soviet Union in particular, in his philosophical writings. Gvishiani noted that LaRouche's ideas were well known and intensively studied in the USSR.

at all a panacea . . . for the monetary crisis. Rather, they are one of the additional sources of inflation." He explains this point by showing how when SDRs are drawn to cover an account's deficit, an inflationary injection takes place, since even if a country increases its exports to remedy the deficit later, those exporters will not be paid in SDRs, but in dollars or other national currencies. The SDRs will remain on the books — but without backing.

Stadnichenko summarizes, "In other words, despite the efforts of the United States by all means to diminish the monetary functions of gold, to 'demonetize' it, gold continues in one way or another to retain and fulfill these functions. For this reason, we cannot at all agree with those Soviet economists who predict that gold is close to its demise as a monetary metal and who sing many hymns to the world supranational money which is drawing near, in their opinion, in the form of the SDR. We are referring above all to the article by G. Matyukhin, 'A New Form of World Money' (*The World Economy and International Relations*, IMEMO's journal, April 1977), which was recommended by the editors 'for the special attention of teachers of political economy'."

Stadnichenko quotes liberally, with biting sarcasm, from the Matyukhin article, which indeed had already drawn criticism from the progold economist E. Sollertinskaya in a letter to the editor of the IMEMO journal in January of this year. Matyukhin completely rejected gold and described the SDR in detail, Stadnichenko's excerpts show. With only a cosmetic "criticism" of the SDR, he concluded that it was a "major step" on the road to a world currency. Stadnichenko warns: "I hardly need draw attention to the fact that the author of that article is not only a convinced adherent of the demonetization of gold, but is also an ardent supporter of the idea of a supranational world credit money" (emphasis added).

Stadnichenko's phrase is tantamount to accusing Matyukhin of treason, on grounds of advocating the submission of the Soviet Union to the IMF and the SDR!

The transferable ruble

In a final argument, Stadnichenko raises the issue of the CMEA transferable ruble. Some people, he says, have tried to claim that the SDR is money just as much as the transferable ruble is. After all, aren't both of them clearing units?

Absolutely not, declares Stadnichenko: the SDR has "no commodity or gold backing" whatsoever; SDRs are issued arbitrarily. The opposite is the case with the transferable ruble. First of all, the CMEA currency has a clearly defined gold content.

More important, he says, transferable rubles are issued or created only in connection with real production of goods and services. If this difference is understood, it is clear that "the SDR could under no circumstances become world money with the monetary functions inherent in gold."

Stadnichenko ends his article, which was written at the very moment of the historical Western European summit at Bremen where the EMF was drafted, with an unambiguous prediction. "The immediate future will show just how and in what form the strengthening of the monetary functions of gold on a world scale will take place," he concludes. "It is a fact, however, that this process is already under way, and all theories about creating an artificial supranational world currency and so on will disappear just as fast as they appeared."

— Clifford Gaddy, Stockholm
Rachel Berthoff, New York

'The Nazi bombs fell first on London'

In the article excerpted here, the Soviet weekly Literurnaya Gazeta sharply attacks the "China card" policy of Great Britain, comparing it to the British policy during the 1930s of encouraging Adolf Hitler to attack the Soviet Union. The article, written by commentator Vitalii Kobyshev, appeared in the Sept. 13 issue under the headline "London Merchants."

...This is old history: urging on a potential aggressor, arousing an anti-Soviet uproar. We remember how openly the highly placed British General Cameron (Neil Cameron, Chief of Staff — ed.) tried to do this, how he spoke out to this effect during his China trip. And just as old — and as costly to Britain — is its oblivion to the lessons of history. It is forgotten that the snake often bites first the one who stirs it up. That the Nazi bombs fell first on London. In their up-to-the-minute euphoria — ah, the "China card"! — they do not see what may happen tomorrow, they do not notice that today Peking is already hankering after everything that stretches southward from China's borders.

A dangerous game has started....

There is yet another side to this story, which is not lacking in interest in view of recent statements by various British state leaders. They are actively preaching Sunday sermons about human "rights".... We will not focus attention here on how very appropriate these sermons would be particularly for Ulster, or for the colored ghettos of London, Birmingham and other English cities, where open discrimination can be observed, where racism is becoming a more and more obvious fact of life.

Let us remark on something else. The authors of these sermons are not at all disturbed by the fact that they intend to supply weapons to a country whose citizens essentially have no rights...