

## Fekete Explains The Basis For Expanded T-Ruble Role Then Bows To Oblomov

*Excerpts from the speech delivered by National Bank of Hungary Deputy Chairman Janos Fekete, at a "Workshop on East-West European Interaction," in Budapest, Oct. 16 to 20, 1977.*

We have arrived however, inevitably at the stage of development where — if we wish to continue our dynamic increase of mutual trade — we have to take another step toward a certain multilateralization in foreign trade, as well. The prevailing monetary system of the Comecon relies on the common currency, the t-ruble. The creation of the t-ruble, a firm socialist unit of account, based on gold, was intended to fulfill the functions of a key currency within the socialist world. The t-ruble fulfills every important function of money within the framework of commodity exchange agreements, although such trade is limited by obligatory quotas and is bilaterally balanced. These requirements, however, impose some limits on the t-ruble in performing its function. If, e.g. in the course of year, a country exceeds its planned deliveries and the excess is not balanced by additional imports from its trading partner, or, if for some unforeseen reason, some country cannot fulfill its planned exports, the creditor country cannot automatically use the surplus which is usually only a fraction of total trade, to make purchases in a third Comecon country.

The bilateral view of foreign trade is thus opposed to the more advanced — multilateral — system of financial settlements. This situation does not allow that an optimal level of trade, most advantageous for every member country, should develop in the mutual turnover of Comecon countries.

An important step of the Comecon countries is the elaboration of a plan of common multilateral investments during the plan-period 1976-80 . . . The present monetary system developed on the basis of mostly bilateral economic cooperation is not flexible enough to promote multilateral economic cooperation of that character, therefore a further development of the monetary system should take place for this reason. . . . This situation could be helped by the system which would make a part of claims and debts in t-rubles convertible. The application of such a system would entail for the creditor country the advantage that, if it cannot obtain for its claims commodities at an adequate price and adequate quality in a predetermined time, it would get at determined intervals convertible currency from the IBEC up to a certain percentage of its claims, for which it could buy the necessary commodities anywhere. For the debtor country this system would provide the advantage that it could buy necessary commodities from the socialist countries also in excess of the obligatory quotas and this need not be bought entirely outside the Comecon for convertible currency. The importing country could settle its debt by above-quota deliveries to any Comecon country. If it were not in a position to do so, either for lack of adequate commodities or because no buyer can be found, it would have to pay a definite part of the deficit in convertible currency. . . .

Another problem arose in the relationship between Comecon and the non-member countries. In order to have countries outside the Comecon participate in the system of the t-ruble settlements, the IBEC has worked out the proper regulations and a "special fund" has been established at the International Investment Bank (IIB). Despite the creation of the institutional and financial preconditions, neither socialist countries outside the Comecon, nor developing countries have availed themselves up to now of this facility. This is, in my opinion, a certain criticism from the side of the non-member countries on our monetary system and makes it obvious that our presently offered terms do not ensure enough mutual advantages.

It would be also a big step forward for the Comecon countries to create their own common convertible currency. The value of the socialist convertible currency should be realistically based on the world market price of gold, as a stable measure of value it could be widely used as a reserve and as international currency. The IBEC is a suitable vehicle for issuing such a currency and the countries participating in the IBEC could guarantee its convertibility into any other currency.

Partial convertibility of the t-ruble would promote expansion of the trade and accelerate the integration process with the Comecon. The common convertible currency can help to develop the trade with countries outside the Comecon, as well as relations with the international commodity and money markets.

To sum up, instead of the gold standard where each country would take care that its banknotes issued should be convertible to gold and instead of the gold-currency standard where one country undertook this obligation for the entire monetary system, I advocate a gold-world-currency standard where, under certain circumstances, all participants guarantee, through the intermediary of a jointly founded institution, the convertibility of the world currency.

Is there any real possibility for a new world monetary system? In the near future there is none. The international monetary system has always been of outstanding political importance.

Every monetary agreement reflected the real economic, political and even military power relations of the given moment. This happened in Bretton-Woods, too. Since then, however, the power relations have changed — the new system should reflect the new power relations. The earlier mighties should give up part of their power and influence in favour of the new rich, the new mighties. This is a slow process, and it cannot be expected from the governments to do so, unless a new recession, the destructive effects of which will challenge their very existence, forces them.

Even then progress can only be made step-by-step — as the first step, perhaps regional monetary systems will be formed, such as:

- 1) The dollar zone — North, Central and South America,
- 2) The Common market and the associated countries.
- 3) The yen zone,

4) The OPEC countries — Saudi Arabia, Kuwait, Arab Emirates, Libya, Iran and Iraq, etc.

5) The non-oil-producing development countries — India, Pakistan, etc.,

6) And, last but not least, the socialist countries.

You can raise the question: Is there any reality of common East-West monetary system? My answer is yes. Of course the Comecon countries also have to make progress in their own monetary system, e.g., they must create their own common convertible currency based on gold. Then, if in the meantime the Western world will also create an international currency based on gold — at least as 'numeraire' — the way is open for a link between the two systems, through a 'golden gate.'

There are two fashionable words in present-day social sciences: link and gap. I want to give an example of a successful link without a gap.

One of the greatest scientific sensations of the recent years was the joint Soviet-American space flight. The two spaceships were made as a result of different technological developments in two countries with different social systems, by experts of different political attitudes. However, the laws of physics, weightlessness, gravity, the objective laws of nature were the same for both of them. Both parties had to respect the severe, extremely exact rules of cosmonautics in order to bring the experiment to success. The experiment as we know, was really a full success, without subordinating any of the two nations, the two technologies to the other.

Not only the physical but also economic environment of our commodity-prone world is in many respects the same. The law of value (in Marxian terms) works even if prices are diverted from value by different principles. If we are aware of the objective laws, the linking up of the two monetary systems will become possible on the basis of full independence, equal rights and mutual interests.

We are living on the same globe. We have one world market on it, but at the same time we have two monetary systems. We have one world market, because there is no socialist wheat and capitalist coffee, there are no socialist machines and no capitalist ones. There are only good machines and bad ones. Undoubtedly, the present world economy and world market shows a duplicity as regards both their basis and appearance. The world economy is based partly on socialist, partly on capitalist social system. Both systems are developing according to their own laws, but not in isolation from each other.

There are in ideological confrontation on the one side and in rational economic cooperation on the other side. But detente means the development of relations between countries with different social systems. Therefore, I cannot imagine that monetary and credit problems could be excluded in the long run from the scope of a policy of detente. It is urgent. The risk of a new worldwide economic crisis can endanger even the promising results achieved until now in detente and the establishment of a new universal and international monetary system can help a lot to avoid it.