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> Comecon is like the bumble-bee which according to the laws of aeronautical engineering, cannot fly because its wings are too small for its body; but, never having heard of aeronautical engineering, the bubble-bee flies anyway. Arthur J. Smith (cited in Schiavone, 1981, v)

Abstract: Today's fragmentation of the world economy, the emergence in the near future of large economic blocs operating in different ideological and conceptual models of economy and society, and the fierce struggle for resources and influence, logically lead us turn to history, including the recent one. The issue of the functioning and collapse of the socialist monetary community has another, more specific but also topical meaning. It has to do with understanding the mechanisms of disintegration of the European Union and the euro area, its management and eventual overcoming. In this paper, we focus on the study of monetary mechanisms within the socialist system, and more specifically on its model of integration, the Comecon, which lasted from 1949 to 1991. In the first part we present the basic principles of socialist integration and the role of international socialist money. In the second part we present the main stages in the evolution of the monetary mechanisms of Comecon. The third part is devoted to some technical problems of multilateral payments and the peculiarities of the transfer ruble. Finally, we try to compare with European Payment Union. We present some competing hypotheses, answering the question why the monetary system of Comecon failed.

Key words: socialist integration, Comecon, transferable ruble, European Payment Union, Soviet Union, commodity-money relations, multilateral clearing

JEL: E42, F15, F45, N14, N24, P30

Introduction

In the report of Kristalina Georgieva, Managing Director of the IMF, "Confronting Fragmentation: How to Modernize the International Payment System" to high-ranking financial circles in Zurich, Switzerland on 10 May 2022, it is said:

> "As we look to a digital future, the system also needs to withstand the growing forces of fragmentation. These forces have become stronger as a consequence of Russia's invasion of Ukraine. It has caused not only tremendous human suffering, but also a global economic shock and a sharp increase in the risk of a 'new Cold War.' A world that could fragment into 'economic blocs', creating obstacles to the cross-border flow of capital, goods, services, ideas, and technologies". (Georgieva, 2022)

Today's fragmentation of the world economy, the emergence in the near future of large economic blocs operating in different ideological and conceptual models of economy and society, and the fierce struggle for resources and influence, logically lead us turn to history, including the recent one. A few decades ago, the world was divided into two ideological and military blocs/camps, split into "two world economies and markets"- capitalist and socialist. In those years, it was natural to live and think within the confrontation of the capitalist and socialist systems, which in turn were struggling for influence in the so-called third world, i.e., developing countries. The study of the economic and financial practices of communication between geopolitical and geo-economic blocs, between warring countries, characteristic of that era, becomes useful, and in a certain sense, vital. The lack of trust and predictability in the behaviour of the blocs and the individual countries is even stronger today.

Our interest in the Comecon (Council for Mutual Economic Assistance, also CMEA) came from the particular organization of the monetary system and its clearing mechanism. We are interested in the long term by two main themes, namely, first - the economic mechanisms in the relations and tensions between the blocks, and second - the relations and tensions within the blocks that were far from homogeneous. In this paper, we focus on the second theme, the study of monetary mechanisms within the socialist system, and more specifically on its model of integration, the Comecon, which lasted from 1949 to 1991.

Much has been written on the subject of monetary and exchange rate relations within the Comecon in those years, - both in the socialist countries and by Western economists. This literature is now forgotten or neglected as useless[1]. However, today's events suggest that these bodies of literature are about to be rediscovered, and the diversity of experience and ideas, - to be mobilized and adapted to new conditions of fragmentation.

The issue of the functioning and collapse of the socialist monetary community has another, more specific but also topical meaning. It has to do with understanding the mechanisms of disintegration of the EU and the euro area, its management and eventual overcoming.

The structure of the study is as follows. In the first part we present the basic principles of socialist integration and the role of international socialist money. They are set forth so that the

[1] Literature on the subject is extensive. If we restrict to Comecon, we can recommend some basic textbooks, such as (i) in socialist countries - Aroyo (1974), Shiryaev (1977), Bogomolov (1980, 1986), (ii) in the West - Willes (1962), Wilczynski (1978), Lavigne (1985).

modern reader unfamiliar with the political economy of socialism may understand the philosophy of socialist integration. In the second part we present the main stages in the evolution of the monetary mechanisms of Comecon. The third part is devoted to some technical problems of multilateral payments and the peculiarities of the transfer ruble. Finally, when concluding we try to compare the Comecon with the European Payment Union (EPU). We present some competing hypotheses, answering the question why the monetary system of Comecon failed.

I Main principles of the socialist integration and the place of money

1. Basics of socialist integration

The issue of 'integration' between socialist economies came to the fore at a later stage after the Second World War, in the early 1960s, and with some difficulty. In spite of the principles proclaimed by the founders of Marxism-Leninism (about the international character of the new society, i.e., Lenin's "*world cooperative"* - a kind of communist globalization), the economic logic of the newly emerging socialist countries after WWII was profoundly autarchic. These countries, despite being small and open economies by nature, followed the experience of the Soviet Union and Lenin's and Stalin's principles of "*socialism in one country"*. The underlying model contained the practice of full nationalisation of the means of production, the state monopoly of foreign trade, foreign exchange monopoly, and above all directive planning. Planning was national; it manifested itself through the construction of the material, i.e., natural, balances of the national economy. Money/currency had a passive accounting and controlling role (we shall see this later). Market and monetary mechanisms of demand and supply were replaced by physical and planned adjustment mechanisms. It was claimed that in the new system, nationally and internationally, in force was the objective "*Law of planned and proportional development"*, replacing the "*Law of value*", the basic law for the capitalist market economy ("*Law of value"* and "*Labour theory of value"* were formulated by Marx)[2] .

In practice, the import was a function of the national plan and export was a function of the planned import. Thus, foreign trade was residual and was included in the national plan. This was because of the drive towards homogeneous, 'harmonious' industrial national structures, the core of which was industrialization (according to "Lenin's law" the rate of the production of the mean of production (Department I) should outpace that of the consumption goods (Department II). This created a constant hunger for investment, and hence for imports of raw materials and machinery[3]. The need for imports had to be paid with corresponding exports. Table 1 shows the share of population of Comecon member states and the share in total exports of each country.

Table 1. Share of the number of the population of Comecon member states and share in total exports

Country	Share of the number of the population (%) (1)	Share in the total volume of export (%) (2)	(2)/(1)

[2] See, for example, Rumyantsev (1966), Tsagolov (1973/1974), Kronrod (1988), Aroyo (1974). "*The Law of planned and proportional development"* was modified in the world of the world socialist system (WSS) as the '*Law of the coordination of economic development*' and the national economic plans of the socialist countries (Aroyo, 1974, 177). The coordination of people's economic plans appeared as the basis of the regulation of the world socialist market (WSM). Its regulating role was manifested through bilateral and multilateral trade, credit and payment agreements, the organization of international settlements, the establishment of compulsory contingents, the principles of planned pricing, etc. (Mazanov, 1970, 10).

[3] At the first stage mostly from the USSR, and partly from Czechoslovakia.

Bulgaria	2.36	5.63	2.4
Hungary	2.8	7.07	2.5
GDR	4.6	12.82	2.8
Cuba	2.5	3.93	1.6
Mongolia	0.38	0.31	0.8
Poland	9.16	12.33	1.3
Romania	5.7	7.14	1.25

Source: Shiryaev (1977), 35-36

The endpoint of this logic is the construction of a foreign currency/foreign exchange plan, which is essentially planning of the balance of payments (see table 1).

Table 2 Foreign exchange plan (for 1983, in millions of foreign currency levs)

	Revenue		Expenditures		Net balance	
	Socialist currency	Non-socialist currency	Socialist currency	Non-socialist currency	Socialist currency	Non-socialist currency
A. Current operations						
I Payments for exchange of goods						
1. For export and import of goods						
2. Other commodity operations						
II Payments for non-trade transactions and services						
1. Transport operations						
2. Tourism and travel						
3. Scientific and technical assistance						
4. Insurance						
5. Diplomatic and other representations						
6. Undergraduate and postgraduate students						
7. Banking operations						
8. Other non-commercial payments						
B. Credit operations						
1. Falling out and granting credits						
2. Loan repayments						
3. Other credit operations						
All A + B						
C. Change in the foreign exchange reserve						

Source: Tsarevsky (1983, 27). In essence, the exchange rate plan reproduces (coincides with) the balance of payments

It should be noted that the sought-after uniformity of the economic structures of the socialist countries, in the first years after the Second World War, was dictated not only by the experience of the Soviet Union (of building an "isolated socialist economy") but also by the Marxist view of the necessity of equalizing the economic levels of the countries before they could participate "equally" in foreign trade. They were not tolerated from the standpoint of the Marxist political economy. The argument was that with unequal development, any disequilibrium in the balance of payments (a deficit, for example) led to a transfer of surplus value, exploitation and income

outwards. That is, there was "non-equivalent exchange", i.e., for example, the transfer of surplus value from agrarian countries to industrial countries[4], from debtors to creditors, etc.
As a consequence, bilateral disequilibria in the balance of payments (the core element of a multilateralism) were not seen with a good eye. It was therefore necessary to reach a relatively similar level of development before moving towards an active international socialist division of labour (ISDL), multilateralism and integration which in turn requires accelerated development of the industrial sector. According to one of the Soviet theorists of socialist integration, Yuri Shiryaev[5] :

> "ISDL differs fundamentally from capitalism both in its goals, driving forces, principles and functions, and in the ways of its implementation (i.e., in the economic mechanism), in its tendencies and in its socio-economic consequences [...] The immediate goal of the foreign economic activity of capitalist corporations/firms, manifested under capitalism as its main subjects, consists in the maximization of profit.
> [...] Corporations/firms are not interested in the extent to which their foreign economic operations affect the state of the balance of payments and other economic indicators of their own countries [...] The basic motive of foreign economic activity under socialism is different. In order to maximize the national income, and therefore those funds to which it is allocated, it is necessary (apart from the importation of lacked goods) to replace with stable imports from other countries the absolutely or relatively inefficient productions of these or those goods and services. [...] *Import policy takes priority over export policy*. Export maximization has at its base the sense that it increases the volume of resources that a given national economic complex is in a position to spend on the practical realization of a long-term import strategy. Exports preserve their relative independence only as a means of forming foreign exchange reserves that ensure the uninterrupted implementation of the reproductive process [...] The drive for "import expansion" explains the specificity of the deepening of the international division of labour, the development of the trend towards economic integration under socialism.", (Shiryaev (1977), 46-48)

As well as according to Jozef Wilczynski, a western economist of polish origin[6] :

> "In the Socialist centrally planned economies, the focus of attention is directed rather to the import side, while exports are essentially viewed as a sacrifice of domestic production to secure the required imports. Their developmental programmes are aimed at high rates of economic growth, leading to tight planning and overcommitment of resources. There is also tradition of autarkic ambitions, and continuous full employment

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[4] This is why for many years the usefulness of "the comparative advantages" was denied, even though it fits with Marxist views of foreign trade. It was only at a later stage when the foundations of socialism were claimed to have been built in all countries, that this theory was mobilized and began to be used within the framework of the international socialist division of labour (ISDL) and socialist integration (see for the economic effects of foreign trade, see Bogomolov (1980, 126-133), Bogomolov (1986) and also, Wilczynski (1978, chap. 9-11).

[5] Yuri Shiryaev (1932-1987), a distinguished scholar in socialist integration, and a corresponding member of the USSR Academy of Sciences worked at the Research Institute of the USSR State Planning Committee, the Secretariat of the Soviet Union, and Deputy Director of the Economic Institute of the World Socialist System. Since 1977 he was Director of the International Institute for Economic Problems of the World Socialist System. He taught at the Economics Faculty of Moscow State University and at the USSR Academy of National Economy.

[6] Jozef Wilczynski (1922-1984), Australian economist of Polish origin, author of the highly erudite book Wilczynski, J. (1978). Wilczynski was born in Augustow, Poland, in 1922. He served in the Polish Underground Army and in the Polish Army under British Command during World War II. He arrived in Australia in 1951. Wilczynski completed a PhD degree in Economics in London in 1968 and then in Science in Sydney in 1975. From 1962 until 1969 he was a lecturer at the Duntroon Military College in Canberra and from 1970 Associate Professor of Economics. He fluently spoke at least four languages apart from Polish and English. Wilczynski's last will was to establish a fund that would support Polish traditions and culture in the Australian Capital Territory. The Fund was created in 1985.

is maintained by direct economic planning. The prevalent domestic sellers' markets reduce the need for, and inclination to, export and instead there is a constant pressure to import. The socialist countries are not interested in achieving a “favourable” balance of trade, nor are anxious to accumulate large international reserves or to export capital" (Wilczynski, 1978, 144).

In socialist interpretation, both types of countries deserve condemnation on social and economic grounds. In the case of the surplus countries, the surplus is attributed to the exploitation of the less-developed and weaker nations by the rich and industrialized countries, whilst the deficit countries are attacked for insufficient development and social welfare programs (Wilczynski, 1978, 148).

Due to national planning the economic logic outlined above leads to structural foreign trade and payment bilateralism between countries in the system[7]. National planning implied equilibrium, which was contrary to the principles of multilateralism, where equilibrium takes place within the whole group of trading partners. Both Russian and Western economists recognised that the logic of the system, led to volumes of foreign trade that were limited by imports, itself from the national plan), and were many times smaller than they would be under normal market relations[8].

For the first ten years after the WWII, and after the creation of the Comecon/CMEA in 1949, it was difficult to speak about integration between the socialist countries[9]. Rather, it was a matter of unilateral material and financial assistance from the Soviet Union. This also fitted in with Stalin's general strategic approach of control, preferring each country to have relations only with the USSR, thus placing the USSR at the centre, and the other countries interacting with each other "passing through" the USSR (Djilas, 1961)[10]. Notwithstanding this strategy, Stalin formulated in 1952 a conception of the two coexisting and competing world economies and markets – capitalist and socialist. This can be seen as having important theoretical and practical consequences[11].

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[7] On the relationship between planning and foreign trade in socialist economies, see Pryor (1963), Ausch (1972), Holzman (1974, 1976), Lavigne (1985). On planning in general and the experience of individual socialist countries, see Montias (1963), Bergson (1964), Ellman (1979), Proft, ed. (1983 [1980]).

[8] Lavigne (1985, 17), Shiryaev (1977, 47-49).

[9] The stages and phases, as well as the theoretical foundations of socialist cooperation, are presented in a number of publications (covering different periods), e.g. in the classic book by Bogomolov (1980, 1986), as well as Ágoston (1965), Mateev (1969), Kaser (1965, 1976), Ausch (1972), Aroyo (1974), Schaivone (1981), Graziani (1982), Lavigne (1985), Lipkin (2019, 2019a), Broad and Kansikas (Eds.) (2020).

[10] This has been written about many times, see Korbonski (1990), Lipkin (2019, 2019a).

[11] Stalin: "The most important economic result of the Second World War and its economic aftermath must be considered the collapse of the single all-encompassing world market. This fact determined the further deepening of the general crisis of the world capitalist system. [...] It is true that Germany and Japan were taken out of the picture as competitors of the three main capitalist countries: the USA, England, and France. But at the same time, China and other people's democratic countries in Europe fell away from the capitalist system, forming together with the Soviet Union a united and powerful socialist camp opposing the camp of capitalism. The economic result of the existence of two opposing camps was that the single all-encompassing world market collapsed, and as a result *we now have two parallel world markets also opposing each other*. It should be noted that the USA and England and France themselves had, of course, in spite of their will, contributed to the formation and strengthening of the new parallel world market. They subjected the USSR, China and the European people's democratic countries that were not part of the Marshall Plan system to an economic blockade, thinking thereby to strangle them. In fact, what happened was not strangulation, but the strengthening of the new world market. However, the main thing in this case, of course, was not in the economic blockade, but in the fact that in the period after the war these countries have economically closed and established economic cooperation and mutual assistance. The experience of this co-operation shows that no capitalist country could have given such genuine and technically qualified assistance to the people's democratic countries as the Soviet Union. It is not only that this assistance is as cheap and technically first-class as possible. First of all that this cooperation was based on a sincere desire to help each other and to achieve a common economic recovery. As a result, we have high rates of industrial development in these countries.

After Stalin's death, Khrushchev made attempts in the direction of moving toward supra-national planning and the development of country specialisation. Khrushchev started insisting on the ISDL as the first step towards integration based on planning, as opposed to capitalist integration based on market mechanisms. However, these attempts met with determined resistance from the other Comecon members (Romania was particularly adamant[12]). Despite the resistance, coordination and prior agreement of national plans by quinquennium began (a process started in 1954 but gained importance after 1956)[13] Bilateral trade based on bilateral agreements and treaties prevailed despite attempts at multilateralism and the creation in 1964 of the International Bank for Economic Cooperation (IBEC) and the transferable ruble (TR). The participation of the countries in the capital of International Bank for Economic Cooperation and International Investment Bank (IIB), established in 1971, is presented in table 3.

Table 3 Participation in the share capital of International Bank for Economic Cooperation and International Investment Bank

Country	**IBEC**		**IIB**	
	Share capital contribution (millions of transferable rubles)	Percentage in share capital	Share capital contribution (millions of transferable rubles)	Percentage in share capital
Bulgaria	17	5.5	85.1	7.9
Hungary	21	6.9	83.7	7.8
Vietnam	0.9	0.3	3.0	0.3
GDR	55	18.0	176.1	16.5
Cuba	4.4	1.4	15.7	1.5
Mongolia	3	1.0	4.5	0.4
Poland	27	8.8	121.4	11.3
Romania	16	5.2	52.6	4.9
USSR	116	38.1	399.3	37.3
Czechoslovakia	45	14.8	129.9	12.1
Total	305.3	100	1071.3	100

Source: Konstantinov (1982), 97, 100 and Tsarevsky (1983), 105.

Initially, the authorized capital of IIB was set at 1 billion TR, subsequently increased to 1.071 billion TR with the admission of new members. The shareholding depended on the relative share of a country's trade in mutual trade. Since 1966, 10% of the capital and contributions of countries are assumed to be made in gold and convertible currencies.

It was not until 1971, at the 25th Comecon session in Bucharest, with the adoption of the "Comprehensive Programme for Socialist Integration" (Comprehensive Program) with a time horizon of 15-20 years that the ambitions for integration, based on specialisation and the ISDL

It is safe to say that at this rate of industrial development it will soon be the case that these countries will not only not need to import goods from the capitalist countries, but will themselves feel the need to put aside the surplus goods of their own production.", Stalin ([1952], 80-82, our emphasis). The socialist world market "represents a totality of interstate and intrastate ‘commodity market relations’ (CMR), feasible in the form of a planned organized exchange of goods and services (international trade), credit and settlement relations within the world socialist system of economy" (Mazanov, 1970, 7).

[12] See Montias (1964). Interestingly, recent archival research provides evidence that it was Romania that initiated the creation of the Comecon (Dragomir, 2015).

[13] For example, in 1954 plans were agreed upon for 1956-1960, in 1958 for 1961-1965, in 1963 for 1965-1970, and so on. Plans for multilateral integration measures were also launched, the first for the period 1975-1980, the second for 1981-1985 and even up to 1990 (five long-term targeted programmes and 340 measures were included (IBEC, 1984, 24-25)).

were finally stated (CP, 1971)[14]. In the terms of the political economy of socialism (PES), it was about the formation of a “common international socialist reproduction complex”, ‘common enlarged reproduction and the formation of common economic proportions" (Aroyo, 1974, 183, Bogomolov, 1980, 45, Filipenko, 1985). The use of “the Law of comparative advantage” began to be discussed[15]. Unlike capitalist integration, which is based on market mechanisms according to which goods and the factors of production freely move between countries and regions following the decisions taken at the micro-level (i.e., producers and consumers), socialism was about integration in the sphere of production, implemented through planning and at the macro level. While the countervailing effects of capitalist integration take place through the market and prices, in socialist integration it was through the coordination and adaptation of national plans[16]. The international socialist division of labour and planning generally follow “the Labour theory of value”, i.e., everything was directed towards cost analysis, and demand was almost fully ignored.

The Comprehensive Program was supposed to reinforce multilateral coordination of plans, i.e. the development of elements of multilateralism and supranationalism through the use of commodity-money relations (CMR) (transferable ruble and more active use of price mechanisms). It was assumed that common investments and investment projects would be accelerated and financed by the newly created common investment bank - the International Investment Bank (IIB).

Table 4 Balance sheet of the International Investment Bank

Assets	**Liabilities**
Cash - on current accounts - on hand	
Credits granted	Funds raised and deposits
Buildings and other property of the Bank	Construction fund for the bank's official building and depreciation charges
	Authorised capital (and paid-up portion) Reserve capital
Other assets	Other liabilities
	Profit

Source: IIB (1986, 146)

Despite some successes and liberal national reforms (the most radical being the reforms in Hungary and Poland), the proclaimed tasks were practically unrealizable. The main obstacles were the presence of structural bilateralism, the preservation of national directive planning, and the absence of a market, nationally and internationally.

In the late 1970s and early 1980s, most countries experienced stagnation and several imbalances and crises (the debt crisis in Poland, for example). This led to an intensification of bilateralism (Köves, 1981; Kaliński and Dwilewicz, 2014). After 1985, and the beginning of Gorbachev’s Perestroika, attempts were made to form a common market and convertibility of the TR, to

[14] The basic principles of the ISDL were adopted in 1962, but their placement at the centre of priorities took place in 1971. On problems of specialization, see Bogomolov (1980, ch. 6, 96-123), Aroyo (1974, 188), and Shiryaev (1977).

[15] There were still no "internationally socially necessary social labour costs" as required by Marx, see Bogomolov (1980)

[16] A synthetic exposition of the problems of coordination of planning is given in the book by the German Democratic Republic (GDR) economists (Proft, ed. , 1983 [1980]) and also in Bogomolov (1980, see diagram on p. 64)

establish direct links between enterprises, etc[17]. For example, in 1985, the technological and competitive backwardness forced the countries to adopt a program to accelerate by 2000 the technological dimensions of integration (Bogomolov, 1986, ch. 8). In 1988 in Prague, the 44th Comecon Session adopted the “Collective Concept of the International Socialist Division of Labour” for the period 1991-2005, which implied an acceleration of science and technology and a number of market mechanisms. All these measures never became reality, the collapse of the system occurred in the late 1980s. The Comecon was formally dissolved in Budapest in June 1991, ending its “institutional life cycle” (Vardomsky, 2020).

To sum up, and leaving aside the ideological clichés of "fraternal cooperation, equality, etc.", the main features of socialist economic interaction were characterised by national directive planning, state monopoly of foreign trade and foreign exchange monopoly (i.e., full control over the balance of payments). This was supplemented by partial coordination of national plans and some attempts at supranational planning. This has been combined with elements of the market and monetary mechanisms, as well as an amplification of micro-level (enterprise and consumer) choices. However, market and monetary mechanisms conflicted with the underlying rigid principles of the system. While the Soviet economy was weakly open and largely self-sufficient, the other countries depended heavily on foreign trade[18].

Two other important points must also be taken into account, namely that within Comecon existed a fundamental asymmetry between the Soviet Union and the other countries. The Soviet economy not only outweighed about twice the combined economies of the other members, but it was also a major supplier of raw materials, the main deficit commodity in the Comecon countries[19]. To this, we must add the existence of a world capitalist system and market that constantly squeezed and at the same time attracts the socialist countries. In dealing with them they were forced to use market and monetary mechanisms, including large external loans. Centrifugal forces began to dominate centripetal ones[20].

2. Passive and active international money

The second important conceptual point is that of the role of money under socialism. Generally speaking, in socialist planned economies, money was only a tool of calculation, accounting and control over the implementation of the plan.

> "Under socialism, monetary policy is rather of an accommodating, and as such of a secondary, nature, designed to facilitate a smooth implementation of the economic plan" (Wilczynski, 1978, 52).

Following the definitions of the Polish economist Włodzimierz Brus, distinguishing between “active” and “passive” money[21], the monetary system of the socialist economy could be considered as a dual one. In the leading sector, the production one – that of the nationalized enterprises -, money was passive, while in the sector of consumer goods and services, the household sector, it was active[22]. In the first sector, money transactions were cashless because

[17] See for more information Shiryaev and Bakovetsky (1988) and Stefanov (1989).
[18] Shiryaev, the openness data, see also Bogomolov (1980, 1986).
[19] Asymmetry and the problems of dependence and domination within the Comecon are presented in Giovanni Graziani (1982).
[20] Analysis of centrifugal and centrifugal forces was given for the first time by Marer (1976).
[21] Brus (1986, 1973).
[22] See the classic book by Garvy (1977), as well as Lavigne (1970, 1983), Seurot (1983), Brus (1968 [1961]), Nuti (1986), Dembinski (1988), Nakamura (2017) as well as the Soviet authors Kronrod (1954), Atlas (1969) and Andres (1975), In fact, throughout the years, the Soviet literature on money has followed the principles of the

money was primarily a means of accounting and measurement. This was done through the Central Bank and its branches and via special accounts to control[23] the implementation of the plan by public enterprises. Here the money followed the real, actual flows reflected in the plan. In the second, consumer sector (second money circuits), which is no more than 5% of the total turnover, - the money was in cash form. Notes and coins performed the functions of means of payment and savings (this was accounted at the so called 'the household income and expenditure plan' and 'the cash plan'). The flows from the first (the cashless one) to the second circuit (cash one) were controlled by the Central Bank (Gosbank). This was because control over the wage bill was often lost and part of the non-cash turnover was cashed out, i.e., converted into cash. In a fixed-price consumer market, this influx of cash led to the phenomenon of "suppressed inflation", which manifested itself in the form of deficits, i.e., queues, forced substitution of consumption, etc. János Kornai (1980) described these phenomena in his theory of 'shortage economy'. The authorities often resorted to periodic price and monetary reforms to "skim off" the "overhanging liquidity" that appeared.

This domestic duality of money was being transferred to the international sphere of the socialist countries, that of the Comecon. Here, too, two currency circuits were observed. Money was passive and a means of accounting and control in the *sphere of trade flows* planned by national authorities[24]. These trade flows chronologically passed through various cashless forms of payment - bilateral, trilateral and multilateral barters, and clearings, and late, after 1964, they were served by the TR. The TR was a collective unit of account and a means of payments issued in limited amounts by a special bank, the IBEC (see next paragraph). In contrast, money was active in *non-trade payments* (tourism, diplomatic missions, transport etc.), which were generally not significant in volume, although their importance was growing. Non-trade flows were serviced by national currency in cash form, and the end-of-year non-trade bilateral balances were included in the total clearing balance, whether bilateral or managed by IBEC.

Viewed in general, the external money circulation was detached from the internal one, external money was disconnected from internal money, and as a rule, its volume was not significant. In the external sphere, the main issue was the level of exchange rates. It was a question both of bilateral national exchange rates and the exchange rate of national currencies against the TR, and the TR exchange rate against convertible Western currencies. The TR was not convertible into either national currencies or Western currencies. More, - TR was not convertible or partially convertible into goods and services, i.e., it had no "real convertibility"[25] .

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founders of Marxism and Lenin's ambivalent attitude towards money, i.e., the CMR. This is not the topic here, see Nenovsky (2010) and Magnin and Nenovsky (2021) for a review.

[23] There is talk of the function of 'control through/by the ruble, the lev, etc.' (Belchev, 1982).

[24] These adjustments and the various calculations may give reason to think that money in this external non-trade sphere is active, i.e., it influences real flows. In reality, this is not correct. One can only speak of active money when it comes to its *micro* influence on the real economy through the mechanisms of the market, by giving producers and consumers' freedom of choice. In reality, there is no 'real' international market, but it is a matter of interstate agreement and arbitrary discretionary changes in national plans. CMRs under socialism, are logically derived from various theoretical explanations (which are not the subject of this study), and in the international sphere, one of the most popular is the existence of ISDL and the preservation of economic autonomy and sovereignty of the countries as owners of manufactured output (Mazanov, 1970, 8).

[25] Western economists, as well as several Eastern economists (among them, though less frequently, Soviet scholars, Konstantinov, 1982, for example), introduced the category of "real convertibility" (convertibility into goods and services) as a complement to familiar external and internal currency convertibility. Stoimenov (1984), for example, considers real convertibility to be a redundant category.

With a great deal of accuracy, we can conclude, that in both sectors - of trade and non-trade payments, external currency (i.e., TR), as well as domestic (national) currency, had passive functions. A kind of *macro activit*y of money can be considered if the directive manipulations of exchange rates are taken into account. However, they have a non-market character, and they are the product of the main monopolists of the external sector - the macro players (the states or the authorized state companies), and of the power balances between these macro players (e.g., it is clear that the Soviet Union was in a dominant position, etc.[26]).

II The evolution of the international socialist monetary system, the struggle against bilateralism

The history of the international socialist monetary system can be seen as a history of various institutional decisions to combat bilateralism and attempts to impose some form of multilateral payments to enhance foreign trade between member countries. We know, bilateralism restricts trade flows to the trade possibilities of the most closed countries, due to the requirement of equilibrium trade flows at a bilateral level. Multilateralism, on the other hand, implies the existence of bilateral disequilibria (i.e., both deficit and positive balances of payments), subject to general equilibrium, and general compensation within the group of trade participants. The multilateralism leads to an increase in trade flows and hence in the incomes of all participants. It allows specialization and efficient use of resources and expands the choice of economic agents. Economic theory as well as historical experiences show that developed multilateralism implies mostly market and monetary mechanisms, including the existence of a transferable or convertible currency. The experience of the Comecon, demonstrates in practice, the limited possibilities of achieving multilateralism when using the mechanisms of coordination of national planning, and only superficially and partially - price and monetary mechanisms.

From 1945 until the Comecon collapse in 1991, monetary relations and payments between the socialist countries went through different phases, which could be grouped into two major stages: (i) a period of barters and bilateral clearings from 1945 to 1963, and thereafter, (ii) when the collective currency TR issued by the IBEC was created and attempts were made to introduce multilateralism of payments. Of interest is not only the history of the TR, but also the debates among economists of that era, and the various projects to make the TR a convertible and active currency.

1. Socialist clearings and their planned and "material" specificity

In the early years after the war, the socialist countries continued the familiar practice of barter and clearing that began in the early 1930s[27]. This form of payments was the only one that suited the tasks of rebuilding farms and paying debts, due to the lack of gold and convertible currencies

[26] For example, on the pressure from the Soviet Union to change the exchange rate coefficients of the ruble for non-trade payments see Daskalov and Maslarov (1990).

[27] The history of socialist payments is presented in various publications, e.g. Tsarevsky (1966, 1976, 1983), Bogomolov (1980, 1986), Radkov and Neykova (1978), Konstantinov (1982), Stoimenov (1984), Lavigne (1985), Lelart (1986). We have mostly adhered to the official documents of the IBEC, e.g. its jubilee report on the occasion of the 20th anniversary of its foundation (IBEC, 1984), as well as to the monographs of G. Mazanov (1970) and Konstantinov (1982). Mazanov's monograph is, in our opinion, the most professional and technically described history of the Comecon clearing system in the period from its inception to 1970. Konstantinov's book (chapters II - VIII), technically completes the period up to 1981. Yuri Anatolievich Konstantinov (1932-2016) was a distinguished professor of finance. At the international level, he worked in the Secretariat of the Comecon and for more than 20 years headed the Monetary and Financial Department, the working body of the Comecon Standing Committee on Monetary and Financial Affairs.

(see Mazanov, 1970, Konstantinov, 1982, Tsarevsky, 1983, IBEC, 1984). Despite the technical universality of clearing, Eastern economists claimed that under socialism it acquired a new social content. For example:

> "However, by borrowing from the practice of the international economic relations of capitalist countries clearing as a form of payment (settlement), socialist states give it a new essence. They adapt the clearing method of payment to the requirements of mutually beneficial, equivalent trade. The given method was brought into line with the socialist production relations, with the state trade and currency monopoly, with the planned development of the national economy of each country and the international economic relations. Clearing thus became an instrument for the planned implementation of international payments, for the conscious maintenance of the equilibrium of the balances of payments" (IBEC, 1984, 29).

According to the best Bulgarian expert on the system, Nesho Tsarevsky:

> "Retaining its form as a category of the capitalist world economy and its monetary system, clearing in relations between socialist countries *radically* changes its role. Whereas under capitalism clearing contradicts the nature of the relations of production and bases private capitalist foreign trade on them, in the conditions of the world socialist market the clearing method of payment is combined with the new relations of production, with the state monopoly of foreign trade and with the foreign exchange monopoly. Clearing is used by socialist countries as a means of regulating international payments in a planned manner and maintaining the balance of payments in equilibrium without the transfer of convertible currency. The clearing agreements concluded between the socialist countries are based on the principles of full equality and mutual benefit" (Tsarevsky, 1976, 178).

In the unanimous opinion of the Eastern economists who follow the Marxian theory of money, in the system of clearing, money is not "genuine" money, but a means of calculation and measurement and control, i.e., money is just "ideal". (This has been the main argument for the introduction of the TR, which according to the Eastern economists is a "genuine" currency that will serve as a mean of payments and store of value). Clearing is a moneyless system, a physical and in-kind exchange of goods and services.

> "Money under this system appears primarily as a means of measurement, of reckoning" (IBEC, 1984, 29).
>
> "Multilateral or bilateral balancing of commodity deliveries ultimately means the settlement of all mutual demands, claims and obligations by means of book-entry settlements. In these conditions, the settlement currency functions as ideal settlement money" (Mazanov, 1970, 15).

Further:

> "One of the main features of socialist clearing is its use in the conditions of the planned development of the national economy of all socialist countries and their mutual relations" (Mazanov, 1970, 20).

Specifically, clearings under socialism were "planned" and material, had physical expression. Goods and services exchanged were included in pre-prepared lists agreed between the two parties and included in bilateral trade agreements. These agreements concerned both mutual supplies and payments. The clearing agreements defined the total volume of goods turnover, the contingents of the main goods, the obligations of the parties for their execution, the conclusion of contracts between foreign trade organizations, as well as joint inspection and control. Prices and methods of payment were agreed too. Within the framework of the agreement, it was assumed to observe value equality of the supplies of goods and services within the year[28]. Commodity contingents were agreed upon annually and protocols were signed on the details of deliveries as well as interbank agreements on cashless payments (Mazanov, 1970, 19-20). Socialist clearing was conducted by bilateral (and therefore equal) parallel opening and maintenance of non-interest-bearing accounts by the two authorized banks, and this for the entire period of the clearing agreement.

In the first few years, 1947-1949, national currencies were used as clearing currencies (the clearing currency was called the "closed currency") and also foreign currencies, including the dollar, the British pound and the Soviet ruble. Institutional diversity continued until 1949, and even until 1952, when the Soviet ruble (given a gold basis in March 1950) was introduced as the main clearing currency. Thus, after 1952, a benchmark bilateral clearing was formed, where the ruble was the settlement currency and payments were made in the national currencies of the respective countries. Clearing covered all types of flows and transactions (trade and non-trade payments, transport, reparations, debts, etc.). The main actors were the central banks of the participating countries, or banking institutions authorised by them (mainly foreign trade banks), which maintained the clearing balances. In the event of a negative balance, the partner bank automatically provided technical credit[29], until the deficit was repaid with goods according to the contract. These were interest-free credits, but 2% annual interest was paid if limits were exceeded. The balances were only covered with goods and services. This gave grounds for calling socialist clearing "pure and planned clearing", i.e., commodity clearing without money (Mazanov, 1970, 24).

The drawbacks and limits of the bilateral clearing were obvious. It shrank overall and bilateral trade to the export capabilities of the weaker partner. The limits of bilateralism are illustrated by Table 5.

Table 5. Trade volume in bilateral and multilateral settlements between countries

Balance of the country with another country	A		B		C		D		Volume of bilateral settlements		Volume of multilateral settlements	
	+	-	+	-	+	-	+	-	+	-	+	-
A			80	100	70	80	50	20	170	170	200	200
B	100	80			10	40	40	30	120	120	150	150
C	80	70	40	10			20	60	100	100	140	140
D	20	50	30	40	60	20			70	70	110	110
Total									460	460	600	600
Total turnover									**920**		**1200**	

Source: Mazanov, 1970, 61

On table 5 for example, with bilateral clearing, i.e., under bilateral settlements, the trade volumes of country A are = 80 + 70 + 20 = 170 for exports (and 170 for imports, because the equilibrium for the country needs to be maintained). In this case the smallest values are summed. Turning to multilateralism (multilateral accounts), the sum of all exports is taken = 80 + 70 + 50 = 200 and of all imports, i.e., = 100 + 80 + 20, or a total of 400. This brings the total for the four countries to 920 for bilateral trade and to 1200 for multilateral, almost a 25% increase.

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[28] In reality, with prices fixed in advance, equality in value is equality in kind, already in the bilateral planning phase.

[29] It is called "technical" to emphasize that it is the result of a technical framing of the credit operation (IBEC, 1984, 30).

In this sense, the Comecon member states have taken initiatives for various forms of multilateral payments, and multilateralism[30]. Let's turn to the chronology.

The first logical step to overcome bilateralism was to attempt *trilateral clearing*, where balances were transferred within three countries[31]. A number of trilateral clearings involved a capitalist country, Finland and Denmark most notably. The idea of multilateral clearing dated back to the very creation of the Comecon, in January 1949 (put forward by Stalin)[32]. Eastern economists have pointed out several difficulties of the transition to a multilateral clearing in those years. First, is the unequal level of economic development of countries, and hence the dangers of non-equivalent exchange. The existence of structurally scarce commodities dictated by the goals of industrialization (mostly raw materials and machinery), and the existence of "soft and hard commodities" (existence of 'soft-soft' and 'hard-hard' trade). Added to this are the changing terms of trade, as the contractual prices of the Comecon follow those of world markets.

Despite the obstacles mentioned, attempts at multilateral clearing began, and in June 1957 it was decided to balance balances of payments multilaterally. The most striking manifestation was the clearing between Albania, Bulgaria, Hungary, GDR, Poland, Romania, USSR and Czechoslovakia, which lasted from 1957 to 1963 (this scheme functioned in parallel with the bilateral payments). In this clearing, goods could be sold without observing the calendar-year equality of bilateral supplies. Equality was sought between the total exports to all countries and the total imports from those countries. Settlements were made by the Central Bank or the authorized banks of the participating countries. They opened special accounts for each other in the settlement currency - called "clearing ruble". The table below (table 6) shows the multilateral balancing in trade between CMEA countries.

Table 6 Multilateral balancing in trade between CMEA countries

Country	1963	1964	1965	1966	1967	1968	1970
Bulgaria	1,33	2,42	4,63	4,33	3,60	3,56	3,03
Czechoslovakia	3,54	1,41	7,07	5,13	3,13	2,46	1,66
East Germany	9,49	5,95	7,14	6,33	4,45	3,62	5,65
Hungary	2,61	4,09	5,65	4,16	3,62	3,96	3,33
Poland	8,48	5,91	9,38	6,01	5,41	2,21	4,95
Rumania	9,89	2,88	5,73	6,50	8,45	7,41	6,59
Soviet Union	3,05	3,47	3,79	3,52	6,66	6,17	4,11
Unweighted average	5,48	3,73	6,20	5,14	5,05	4,20	4,19
Weighted average	5,05	3,81	5,77	4,76	5,27	4,46	4,13

Source: McMillan (1974), p. 17. The table presents the Michaely's index of trade multilateralism, calculated by MacMillan. The index ranges from 0 to 100, where 100 is total multilateralism, 0 is full bilateralism.

Next significant innovation in the model was the creation of the second level of clearing - the Clearing House, a multilateral clearing centre between the authorised banks of the Comecon countries. The Clearing House functioned initially within the Soviet Gosbank, and in 1963 was moved to *Vneshtorgbank*. The Clearing House and the authorised national banks opened special

[30] Virtually the entire subsequent history of the Comecon was stepping in this direction, which, however, proved doomed to failure because of a structural tendency towards bilateralism dictated by national planning and the lack of a market and convertible currency.
[31] Or to offsetting by successive one-off credits of two countries' balances to the account of third countries (e.g. in 1950-1951 Bulgaria paid its passive balance and Romania through exports to Hungary, the GDR and Czechoslovakia, which paid it through their clearings with Romania.
[32] See Mazanov (1970, 45) and Lipkin (2019).

accounts for each other. On a daily basis, the national banks derived bilateral passive or active balances resulting from standardised payment methods (mainly immediate collection/incasso) and send them to the Clearing House. In turn, the Clearing House aggregated the balances by bank (i.e. by country) and settled them monthly by multilateral netting. According to Mazanov:

> "The participating countries shall settle the balances of monthly receipts and payments not directly with each other but through the Clearing House. Therefore, each party appears in the multilateral clearing process as debtor or creditor of the other party and simultaneously as debtor or creditor of the multilateral clearing house. However, amidst the completion of these clearings by the Clearing House, each party imagines itself to be a debtor or creditor of the counterparty and becomes a debtor or creditor of the Clearing House. In this way, the settlement relationship between the banks is transformed into a settlement relationship between the bank and the clearing house, with the result that each party automatically has the possibility of using the clearing house's credit to settle accounts with the parties, irrespective of which of them receives the goods. [...] The amount of the interest charged annually by the Clearing House on the balances of the debtor countries shall be distributed among the creditor countries in proportion to the amount and duration of the credits granted (positive balances in the accounts of the Clearing House). This means that the level of interest rates on active balances depends on the volume and duration of indebtedness of the debtor parties" (Mazanov, 1970, 48-49).

The Clearing House, had no equity and resources that limited its lending activities. As a result, multilateral clearing was also not developed, by some estimates it covered no more than 1-1.5% of total trade. Bilateral trading and clearing continued to dominate. New institutional solutions were being sought. In fact, in this period many Eastern economists (primarily Hungarians and Poles[33]) began to note the structural limits of multilateralism. However, the official position is that bilateral trade agreements can be overcome because multilateralism is *objectively* necessary[34] for the next phase, - “socialist integration”:

> "The contradiction that emerged towards the end of the 1950s between the system of account-credit relations and the objective needs of interstate economic cooperation of the socialist countries, which was becoming increasingly integrative, was not completely overcome. Incidentally, at this time the national economies of all the member countries of the Comecon considerably strengthened, the ISDL deepened, and interstate specialization and cooperation of production began to develop" (IBEC, 1984, 33).

The idea of a common unit of account to serve multilateralism in the Comecon, and to speed up integration, dates back to 1961-1962. But it was only in early 1963 that an expert working group was set up, whose task is described in the following words:

> "They (the experts, members of the working group) were to work out the foundations of a settlement-credit mechanism, which the world practice had not known before [...] A settlement-credit mechanism was to be created, corresponding to the national and international interests of the socialist countries. It was a question of an accounting and credit mechanism of a system of countries that entered into an economic and political association of free, sovereign, going along the path of socialism and communism, united by common interests and goals, with the close ties of international solidarity (IBEC, 1984, 34-35).

[33] E.g. the Hungarians Sándor Ausch (1972), Ivan Vincze (1977, 1978, 1979) etc.

[34] “Objectively necessary” in the political economy of Marxism (Hegel) means independent of the will and desires of economic actors, i.e. something set from the outside, by the internal logic of social history.

Thus came into being the common currency, the collective monetary unit - the transferable ruble, and the institution that issued it and that manages multilateral payments - the International Bank for Economic Cooperation. Following the signing of the multilateral agreement on 22 October 1963, the system officially began to operate on 1 January 1964.

A significant impetus to the role of the TR and the development of multilateral exchange in the Comecon was given in July 1971, when the 25th Session of the Comecon in Bucharest adopted a "Comprehensive Programme for the Further Deepening and Improvement of Cooperation and Development of Socialist Economic Integration of the Comecon Member States".

Multilateral payments and the transferable ruble - basic principles

Within the multilateral system of the Comecon four main elements can be analytically distinguished, namely: (i) a common monetary unit TR issued by (ii) the newly established IBEC bank, (iii) a settlement mechanism and (iv) a credit mechanism. In creating the TR, the official organs of the Comecon explicitly stressed that the new international currency was collective and contractual, fundamentally different from USD. The TR,

> "it is not national, it is not supranational, it is international, collective [...] The TR functions on the basis of an interstate agreement; it enters the monetary and financial circulation through the international credit institution, the IBEC, and exclusively serves interstate relations [...] The TR is not only an international currency. It is a *socialist currency* “(IBEC, 1984, 40-41).

According to Konstantinov, in his popular monograph ‘*The International Monetary System of the Comecon Member States*’ (1982):

> "The TR is a *fundamentally new phenomenon* in global currency practice. It is a currency of the planned economy, the nature of which is difficult to understand if considered outside its relationship to other economic and political categories. One of these fundamentally important categories is planeness. [...] The TR is a currency of equal partners [...] The convertible ruble is the world's first truly collective currency (Konstantinov, 1982, 102, 120).

In fact, the aim was to create a common currency to serve the multilateral payments mechanism, a mechanism allowing the transfer of positive balances within Comecon trade. It was claimed that the various forms of socialist clearing were moneyless, but TR was a ‘real’ currency intermediary. The TR was credit money, the issue and volume of which had to accurately reflect the movement of commodity flows (planned and agreed contingents). This comes from the quantity theory adopted by Marx, and according to which money should reflect the volume of goods and values (the Comecon used in practice the "banking principle"). The transferable ruble and the mechanism of compensation must guarantee the equivalence of exchange.

To use the familiar representation, the TR mediated the commodity exchange by the rules of simple commodity production (*C - TR - C*), in contrast to the clearing system where we have the transformation of commodities (*C - C*). Soviet economists identified clearing ruble with a barter, the TR was only an ideal unit of measurement. While in the case of clearing, it can be argued with certainty that exports are a function of imports (imports pull and constrain exports), which was the point in the first part of this paper, in the case of the multilateral system of the TR, the possibility arises of the opposite causality - imports being a function of exports, i.e., the motive to export becoming the leading one. Konstantinov noted:

> "The socialist integration partners are interested not in money per se, but in specific commodities as use values necessary for the satisfaction of productive and personal needs [...] The transferable ruble is "tied" to the commodity. Its commodification is predominantly provided for at the stage of coordination of national economic plans, in the preparation and signing of five-year trade agreements and annual commodity turnover protocols. In this way, the correspondence of the mutual monetary turnover to the actual movement of commodities between the parties is ensured in advance. This excludes the possibility of spontaneous and unregulated flows of goods and money. The regularity of the movement of the TR protects it from devaluation, and protects it from the crisis phenomena of the currency system of capitalism. In spite of the organic connection of the TR with the planned movement of commodity flows, and their centralized management, it does not cease to be real money" (Konstantinov, 1982, 104-105).

Thus, it has been officially argued that the TR, though cashless in form[35], fulfilled all the basic monetary functions as they are known from Marxist political economy (namely, a measure of value, a scale for prices, a means of payment, and a store of value) (e.g., Konstantinov, 1982, ch. V, 134-165).

The TR was issued by the IBEC, in which member banks had three types of accounts – current account, credit account and deposit account (see the balance sheet in Table 6). The balance sheet of the IBEC was accessible only to the authorised banks, which accumulated the bilateral balances resulting from payments between foreign trade enterprises. Payments were made in national currencies and mostly by "collection/incasso with subsequent acceptance", i.e. collection with immediate payment. TRs were issued through the credit mechanism, which in turn maintained a continuous offsetting mechanism.

The sources for the creation of the TR were mainly two: (i) the settlement credits and (ii) the term credits (also the credits under the joint investment projects which were extended by the new bank, the IIB)[36]. Particularly important were the settlement credits, which the IBEC provided based on positive balances in the compensation mechanism system. While settlement credits were difficult to plan, planning was a practice in the case of term credits. Generally speaking, credits were managed in a planned manner, this was done through the mechanism of the IBEC annual credit plan. After 1971, credit and resource breakdowns were given according to the requests of the authorized banks and the national economic plans (IBEC, 1984, 75).

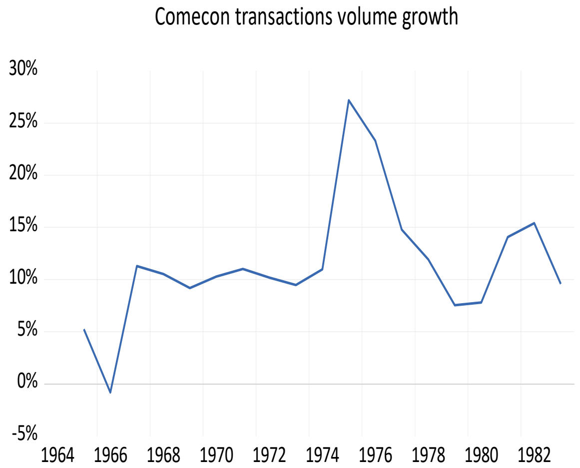
As already mentioned, apart from mutual trade, which accounted for about 95%, there were also bilateral non-trade transfers (tourism, transport, training, insurance, diplomatic missions, cultural events, etc.) whose balances, after certain manipulations (which will be discussed below) were also included in the total balances of the authorized banks of the IBEC's member countries.

Chart 1 Comecon transactions passed through IBEC

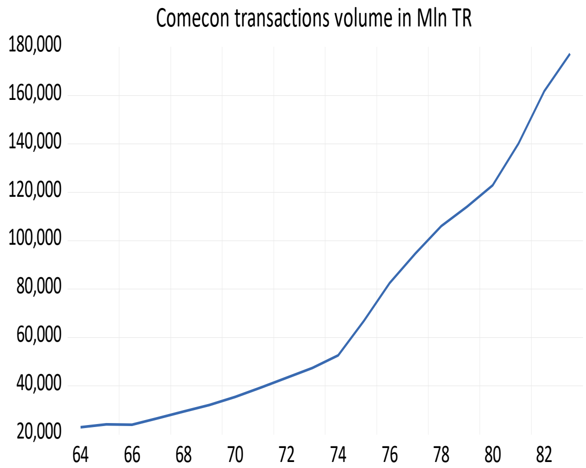
Chart 2 Comecon transactions through IBEC

[35] The IBEC issued travellers' cheques that could be exchanged in national currencies, these cheques that in some respects resembled banknotes.

[36] In fact, by 1970, six types of credit were differentiated – (i) for settlement, (ii) seasonal, (iii) for expansion of turnover, (iv) for the balance of payment adjustment, (v) off-plan credit (vi) credit for joint activities and facilities. Due to the increased transfers from one form to another, in 1970/1971, it was simplified into the two types of credit – for settlements and term credit.

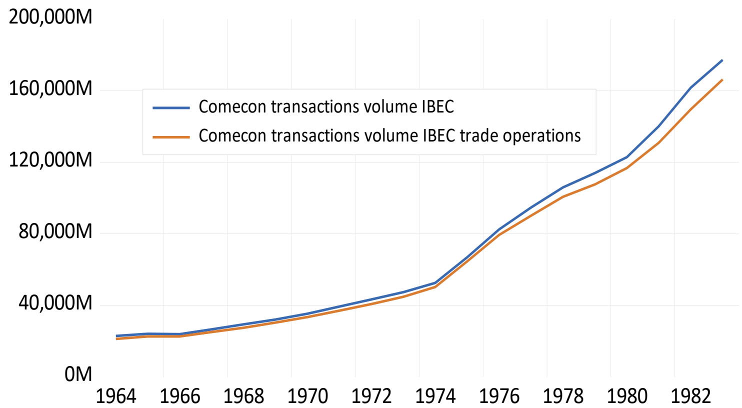


Source: IBEC, 1984



Source: IBEC, 1984

Chart 3 Comecon transactions volume IBEC – total and trade operations



Source: IBEC, 1984

According to Mazanov, multilateralism has two dimensions, broad and narrow:

> "In *a broad sense,* multilateralism, as a higher degree of CMR of the socialist world systems, in terms of commodity relations implies multilateral coordination of the commodity structure of international trade and mutual exchange, and in terms of monetary relations implies multilateral equalization of balances of payments. This requires at the same time the existence of a planned currency convertibility with a developed and well-functioning system of international credit [...]
>
> In *a narrow sense,* multilateralism in the mutual trade of socialist countries is a system of accounts whose multilateral character is expressed in currency convertibility with the use of a flexible system of inter-order credit. The basic premise of this system is very simple and consists in applying the usual, important banking principle of "equality of debit and credit". The multilateral clearing system operates in this case with the participation of a bank, with the help of which payments are made and the temporarily free resources of one party are used by the other parties. The elasticity of balance is increased and reached in such a way that the countries with a passive balance of payments receive credit from the international centre of account, whose credit resources are formed from the own funds and temporarily free resources (active balances) of the separated countries; the latter use their active balances to expand imports and build up

reserves. Currency transferability does not occur automatically, but always presupposes a certain agreement between a number of countries participating in this mechanism of payment relations [...] Such a system of multilateral settlements facilitates a significant increase in trade turnover because it makes it possible to conclude bilateral trade agreements that are not counterbalanced in value [...] Each country coordinates its balances with its partners so that the sum of these balances is equal to zero" (Mazanov, 1970, 58-62), see also Tab. 2.

When loans were granted, the money supply of TRs grew; when loans were repaid, it shrank. This is an example of "planned managed emission, and no excess money is allowed to be issued (Konstantinov, 1982, 146). The demand for TRs equalled the supply of TRs. In the official IBEC publication we read:

> "The transferable ruble is a means of multilateral monetary settlements, and the latter are based on the principle of the transferability of currency. Each country has the right and the possibility to freely use the funds belonging to it for payments to any other country participating in the system of multilateral settlements. [...] The transferable ruble is a form of credit money. [...] Only the IBEC is granted the right to issue transferable rubles. The amount of TR in payment circulation on any date (month, quarter, year) is equal to the balances due to authorised banks on the loans obtained from the IBEC. In the bank's statement, these balances are called "credit input/investment (*creditnie vlojenia*)" (IBEC, 1984, 42-43).

Credit inputs/investment equal net loans on the bank's balance sheet, i.e., "loans granted - loans received" (Table 7).

Table 7. IBEC Balance sheet

Assets	Liabilities
Cash - On current accounts - On deposit	Deposits - Current accounts - Term deposits
Loans granted	Loans received
Bank property	Capital - Authorised capital (paid-in) - Reserve capital
Other assets	Other liabilities
	Net profit

Source: IBEC (1984), 122.

Loan inputs equalled net loans on the bank's balance sheet, i.e. "loans granted - loans received". For example, at the end of 1982, they were 4.289 billion - 0.406 billion = 3.883 billion. For credit holdings by year see Konstantinov, 1983, 176.

Finally, table 8 provides an overview of the development of mutual settlements that are served by the TR overall and by country. It can be seen that the share of the USSR in the total volumes was always around 36-39%.

Table 8. Volume of mutual settlements through the IBEC (in billions of TR)

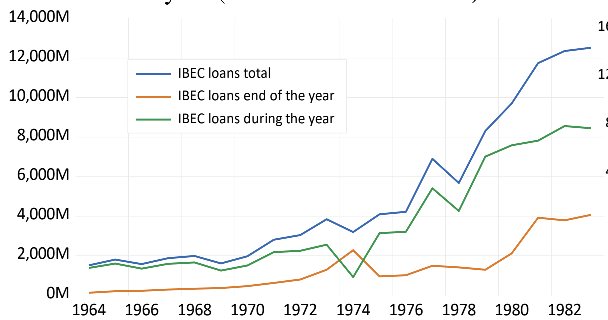
Country	1970	1975	1980	1982	Total for the period 1970 - 1982
Bulgaria	2.7	5.6	10.5	13.6	92.5
Hungary	2.8	5.8	9.9	12.5	89.1

Vietnam	-	-	-	1.3	2.6
GDR	6.2	11.0	17.4	21.6	165.3
Cuba	-	-	5.1	8.1	36.2
Mongolia	0.2	0.4	0.8	1.2	7.3
Poland	4.3	8.8	14.1	16.9	128.8
Romania	1.7	2.9	5.0	5.8	46.8
USSR	13.0	24.0	46.5	63.5	411.1
Czechoslovakia	4.5	8.4	13.6	17.3	127.3
Total	**35.4**	**66.9**	**122.9**	**161.8**	**1 107.0**
USSR/total in %	**37**	**36**	**38**	**39**	**37**

Source: IBEC, 1984, 45, and own calculations

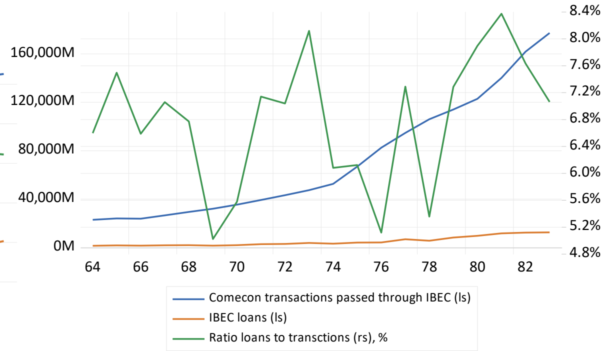
Some of the main items of the bank's balance sheet and other variables presented in the tables below.

Chart 4. IBEC loans – total, during the year and end of the year (in fact: emission of TR)



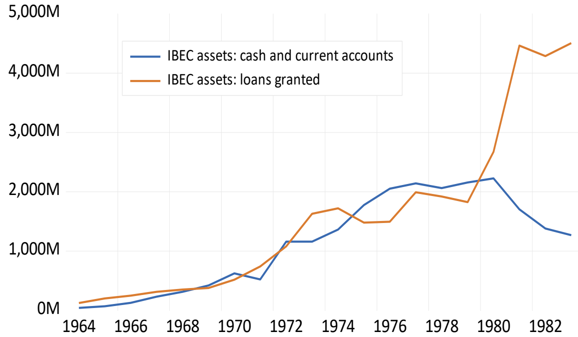
Source: IBEC, 1984

Chart 5. IBEC loans to Comecon transactions



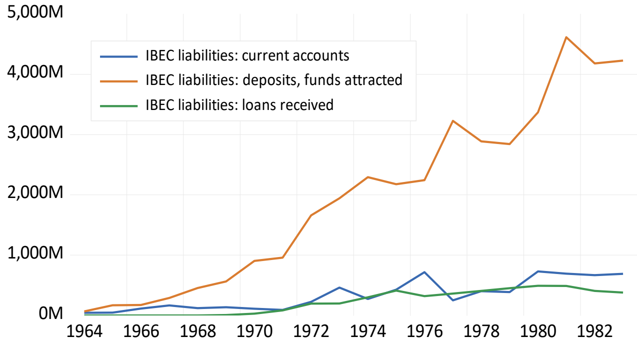
Source: IBEC, 1984

Chart 6. IBEC main assets positions – cash and current account and loans granted



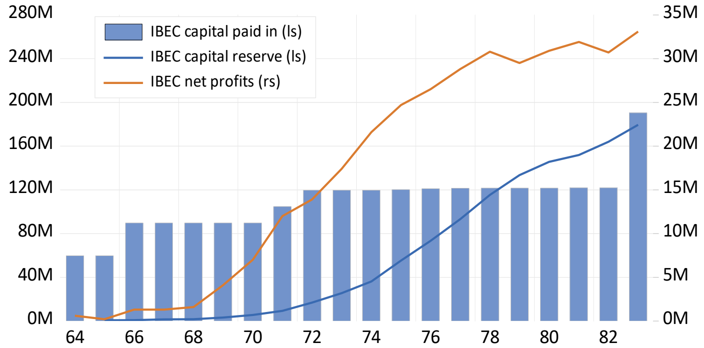
Source: IBEC, 1984

Chart 7. IBEC main liabilities items – current account, deposits (funds attracted) and loans received



Source: IBEC, 1984

Chart 8. IBEC capital and net profit



Source: IBEC, 1984

Let us now turn to the purchasing power of the transferable ruble, which inevitably leads us to the problem of different levels of pricing.

2. Technical aspects of the transferable ruble system

As already mentioned, similar to the two sectors in national terms (cash and cashless payments), two large segments are also distinguished in the Comecon economy (i) of trade payments, there were cashless, taking place in international currency - TR or convertible western currency and (ii) of non-trade payments which generally took place in national cash currency. In the first segment, wholesale prices, i.e., producer prices were the basis, and in the second segment, the basis were retail prices, i.e. consumer prices. Hence we had two rates of exchange of the TR to national currency, - according to what this rate served for - respectively for trade and non-trade payments.

Let's look first at *trade payments*, which were the predominant share, over 90% of the whole transactions. Let's start with prices, which expressed the Comecon purchasing power of the TR.

Pricing and purchasing power of the transferable ruble in the trade sector

As a result of the claims that there was a socialist world economy, the problem of setting the level of prices in this world economy was raised. These were named "*contract prices*", expressed in TR and fixed in commercial contracts and agreements. Through contract prices, the purchasing power of the TR was expressed in the international socialist market. We remind once again that this market was distinct and separate from the national markets of the member countries, which had plan-controlled price levels and sovereign national currencies (some economists used to speak about "closed currencies"). The methodological dispute about the basis of contract prices became one of the leading to the theory and practice of the Comecon.

In order to understand the problem, it is inevitable to recall some basic postulates from the political economy of socialism and the labour theory of value. According to the Marxist approach, the concept of "*internationally necessary labour costs*" and "*international value*" should serve as the basis for Comecon prices. But again, according to Marxism, this implies the equalization of the levels of development of countries, and the formation of a common socialist reproduction process, i.e., of unified production and unified exchange within the Comecon space. We have mentioned that the basic Marxist requirement is that there should be an equivalence of exchange to prevent any exploitation of a partner country through international trade. In the absence of these conditions ("internationally necessary labour costs"), and while preserving the sovereignty of individual countries and national planning, and the relatively small share of socialist trade in world trade (about 6-8%), the basis of prices must be sought elsewhere. Thus, prices on world capitalist markets come as a natural choice.

In general, prices in capitalist markets were expressed in dollars, and until 1974 the dollar had a defined gold backing (0.888671 grams of pure gold). The TR, which emerged in 1964, was defined as the value in gold, the result of an international agreement by the socialist countries. The TR had the gold content of the Soviet ruble (and therefore of the clearing ruble), i.e.

0.987412 g pure gold[37]. From there was derived the TR exchange rate to the dollar, i.e. 1 USD = 0.9 TR (or 1 TR = 1.11 USD).
Subsequently, after the devaluation of the dollar on December 18, 1971, and later after February 12, 1973, this exchange rate became respectively 1 USD = 0.7415 TR (or 1 TR = 1.3486 USD). After the collapse of fixed exchange rates and the departure of the gold basis, in 1974, a monthly weighted average currency basket was used. From July 1978, the basket included 13 currencies, and in the 1980s on 18 currencies (IBEC, 1970, 46-47, Konstantinov, 1982, 46, 127)[38]. Because prices in capitalist markets were volatile, and conceptually under socialism prices should be stable, various statistical corrections mechanisms were applied. Initially, the so-called "stop prices", i.e., the price level of late 1949/early 1950 was used until 1956. Then for 1957, the average 1956 prices were used. Since 1958 was adopted the so-called "Bucharest formula"[39] according to which prices on international capitalist markets should be averaged and smoothed on a quinquennial basis. For example, prices in the 1966-1970 quinquennium are based on the 1960-1964 average, for the 1971-1975 quinquennium on the 1965-1969 average, and so on. In 1976, the adjustment formula was modernized to apply a "rolling one-year five-year basis" of averaging.

As a generalization, we get expression (1), where contract prices are a function of international capitalist prices expressed in dollars and adjusted for the business cycle.

(1) $p_k = e_{TR,USD}(\lambda p^*)$,

where,
p_k - are the contract prices within the Comecon
$e_{TR,USD}$ - the exchange rate of TR to USD (or, after 1974, to a basket of currencies expressed in terms of the dollar), the exchange rate was adopted in indirect quotation (1USD = x TR).
λ – is the capitalist market price adjustment factor, which as we have pointed out is zero at ‘stop prices’, or derived from the formula of mean and moving averages
p^*- are the prices in capitalist markets, using a specifically defined sampling methodology
From (1) it can be inferred that the level of the exchange rate reflects price levels, $e = \frac{p_k}{\lambda p^*}$
Hence the theoretical controversy as to what reflected the purchasing power of the translated ruble, its gold content, or the through the relationship between contract prices and those on world markets (see for the debate, Tsarevsky, 1983, Konstantinov, 1982).

The dynamics of capitalist and adjusted, contract prices by major groups is presented in the following table 5.

Table 9. World and contract price indices by major commodity group (1970 base = 100)

Prices	1971	1972	1973	1974	1975	1976	1977
Contract prices	105	110	113	119	175	177	185
World prices	108	111	168	243	247	258	289
Dev. in %	- 3	- 1	- 55	- 24	- 62	- 81	- 104
Contract prices	96	107	108	111	135	148	150
World prices	103	121	176	216	201	203	240
Dev. in %	- 7	- 14	- 68	- 105	- 76	- 55	- 90
Contract prices	101	108	105	116	127	145	151

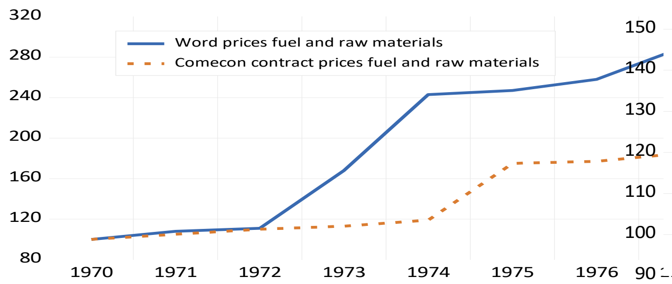
[37] The TR should adopt the parameters of the rouble and the clearing rouble. The quoted rate of the TR to gold followed that of the Russian rouble defined in 1961. According to official documents and the majority of Eastern economists, this was dictated by motives of convenience and continuity, "for simplicity and convenience" (Konstantinov, 1982, 122).
[38] See also Konstantinov (1982, 42-46).
[39] The 9th session of the Comecon was held in Bucharest.

World prices	103	112	117	128	141	148	157
Dev. in %	- 2	- 4	- 12	- 12	- 14	- 3	- 6

Source: Bogomolov, 1980, 157 (and primary sources cited therein), own calculations (dev. = word - contractual).

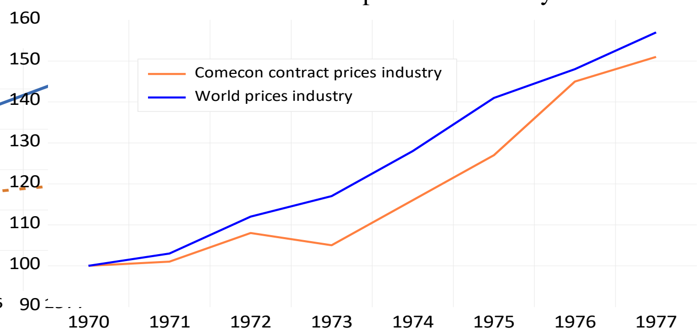
Despite the slower increase in contract prices, one can see the fundamental change that occurred after 1973/1974. They are presented in charts 6, 7 and 8.

Chart 9. World and Comecon prices on fuel and raw materials



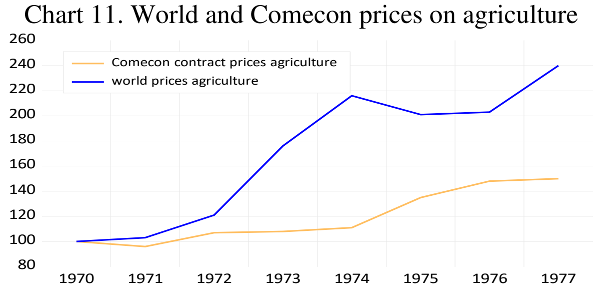
Source: Bogomolov, 1980

Chart 10. World and Comecon prices on industry



Source: Bogomolov, 1980

Chart 11. World and Comecon prices on agriculture



Source: Bogomolov, 1980

Hence, exchange rate of TR to national socialist currencies $e_{tr,i}$, was determined by purchasing power parity, i.e. between contract prices p_k and p_i – national prices. For p_i was taken the average level of wholesale, producers' prices in country i. These rates, $e_{tr,i}$ were not actively used, except in some internal country calculations related to foreign trade turnover, and for bartering, etc. These exchange rates did not reflect retail prices, and in general there were large deviations from total purchasing power parity.

Pricing and purchasing power of the transferable ruble in the non-trade sector

Let's turn to *non-trade payments*, where the exchange rate formation methodology was radically different[40]. Although they are not large, no more than 5%, the non-tradable transactions were constantly growing, and directly affected the population (tourists, students, postgraduates, diplomats, employees in general enterprises, etc.). Indeed, here the "equivalence problem" took on a strong ideological significance.

> "Things are different in the area of non-trade turnover. The related operations of purchase and sale of goods take place not on the international market but on the domestic market [...]. On the domestic markets of the socialist countries there is neither a common currency nor uniform prices for similar goods. On the contrary, these prices, by virtue of economic, historical and other peculiarities, differ considerably from country to

[40] See in detail Konstantinov (1982, chapter VII, 200-212), as well as the discussion in Daskalov and Maslarov (1990).

country. Nor are the average price levels the same, hence national currencies express different price scales. As a result, domestic national prices do not solve but create a problem of *non-equivalence* in non-trade settlements. In this respect, special exchange rate instruments are applied to achieve equivalence in the settlement of trade in a given area: an exchange rate to exchange national currency into another and a coefficient of deviation of domestic prices from those of the international socialist market to exchange national currency into the collective currency, and vice versa [...] Trade between countries is carried out at foreign trade prices. In this connection, to balance the accounts of non-trade transactions, a necessity arises in the exchange of national currency into transferable rubles, which can then be used to receive goods through the channels of foreign trade. This act ensures the equivalence of settlements not only at the level of individuals but also at the level of states" (Konstantinov, 1982, 202, 204-205).

Within non-trade payments, a new distinction was introduced - (i) non-trade settlements at international prices (telephone, telegraph, organized tourism, etc.), which were transferred directly into TR and (ii) non-trade settlements at national prices, where spending was directly in national currency and at national prices.

We will focus on the latter, which were more important. Here several methodological steps were formulated, generally as early as 1963. At the beginning, the exchange rates of the individual countries to the Soviet ruble were formed according to the level of retail prices, and according to a previously agreed consumer basket. Second, the bilateral exchange rates of all the Comecon countries against each other were formed using the rates thus obtained (i.e. the soviet retail ruble served the consumer market base). Finally, third, to these exchange rates, were added premiums or discounts (after bilateral negotiations) that reflected differences in consumer preferences in the two countries, etc.

Let's go back to the principle of the total settlement. As a result of payments between pairs of countries, bilateral debit and credit balances were recorded at the level of national banks. At the end of each year, the balances were converted into TR and included in the total balances at IBEC. At the end of the year, the balances should be zeroed out, to arrive at a total equivalence between the countries on non-trade payments. This implied the last transformation and adjustment. Here again, the Soviet ruble was used as the base to which bilateral exchange rate deviations were calculated, through the so-called "adjustment factor". In other words, the balance, which was in national currency, was converted first into Soviet rubles at the bilateral rate for non-trade payments, and then divided by the 'adjustment factor' to convert it into TR[41]. Or:

> "In international settlements for non-commercial payments, a coefficient is applied alongside the exchange rate to convert these payments from national currencies into the collective currency and vice versa, in order to ensure equivalence in the settlements. This coefficient represents the ratio of domestic retail price levels calculated on agreed sets of commodity representatives and paid services. The given coefficient is calculated on the basis of the unified commodity structure (a notional set of goods and services at retail prices in the national currencies of the Comecon member countries), which is also used to determine the non-trade rate" (Konstantinov, 1982, 207-208).

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[41] For example (example from Konstantinov, 1982, 208). If the coefficient for the Soviet ruble (SUR) was $\beta = 1.7$, i.e., 1 TR = 1.7 SUR (or 1 SUR = 0. 588 TR), then one could establish the relationship between TR and any national currency, such as 1 TR = (3.20 x 1.7) = 5.44 DDM. Then, if the negative balance was 600 thousand DDM, this became 110.3 thousand TR.

The exchange rates of non-trade payments, and especially the ratios by which the balances of non-trade transactions were included in the total balances in the IBEC (by the so called adjustment coefficients), were subject to a confrontation between countries. The country with an active balance on non-trade transactions sought to have a lower adjustment coefficient, i.e., to receive more TR, and the one with a passive balance sought to have this coefficient higher in order to pay less TR. In practice, the Soviet Union imposed its will, and because of its active balances, aimed to reduce the conversion ratio. Thus, from 3.4 Soviet rubles per TR, in 1971 the coefficient became 2.3 per TR, and in the late 1970s, it declined to 1.9. Before the collapse of the Soviet Union, it was already 1.7 Soviet rubles for 1 TR[42] .

Almost all the problems associated with multiple pricing and purchasing power could be simplified and even overcome with a convertibility of the TR. Let's take a brief look at this topic.

The problem of convertibility of the transferable ruble

Debates about the convertibility of national socialist currencies and the transferable ruble have accompanied socialist integration from the very beginning, but have become increasingly important over the years. Here we will discuss briefly the convertibility of the transferable ruble within the Comecon economy (so-called "regional convertibility"), which according to a number of economists was then a key issue for accelerating multilateral payments and integration between countries. Using the definition from those years:

> “Convertibility essence lies in the provided on an economic basis and officially guaranteed by the state the opportunity to exchange the national currency against the currency of other countries in order to use it to make payments abroad, resulting from planned foreign economic relations, in which conditions are created for rational adaptation of the national economy to the requirements of the international market and for its effective participation in the international division of labour. […] The currency convertibility mechanism generally includes exchange rates of the convertible currencies and agreed rules for their regulation, a foreign exchange market, a reserve currency and a collective support toolkit. The same elements apply to convertibility under socialism, with the difference that they operate according to the specific conditions and needs of the planned economy. A key element of convertibility is the exchange rate. For the conditions of regional currency convertibility within the Comecon, these are the rates of the national currencies to the TR and their rates between them." (Stoimenov, 1984, 65, 97)[43] .

In reality, in practice, there was no link between the transferable ruble and national currencies, they were closed currencies circulating in certain areas that did not cross, or if they crossed it was done administratively. Prices and pricing of trade and non-trade flows were extremely heterogeneous. The purchasing power of the transferable ruble was highly segmented (despite the common basis for tradable flows that of capitalist states, and attempts to synchronize consumer price structures for non-trade payments). Since socialist economies (except the USSR) were highly open, convertibility became an important lever for determining the efficiency of foreign trade and hence the internal efficiency of individual industries, activities

[42] Ivanov (1989, 390-391).

[43] According to the summary of the same author, convertibility has the following functions (at macro and micro level) - adaptive, stimulating, controlling, integrating and political functions (Stoimenov, 1984, 69-75). The same author provides a comprehensive review of the convertibility debate and the positions of economists from different countries (ibid. 80-95).

and individual enterprises. Convertibility mattered for the overall macro efficiency of an economy. In fact, convertibility led to efficient specialization within the Comecon, to intertwining of reproduction cycles and to acceleration of integration within total reproduction. Over time, various convertibility projects were discussed and debated, both in scope and degree, in intensity. It is interesting to note that there were almost distinctly national positions. For example, Russian economists were the most conservative and moderate, while Polish and Hungarian economists were the most radical. As for the degree of convertibility, here the opinions ranged from complete non-convertibility, through partial, to full convertibility. In general, a consensus opinion was reached on partial convertibility, due to the general principles of national planning and foreign trade monopoly (although multilateral planning and some market and monetary mechanisms were developed and accepted).

Regarding the scope, it was understood that convertibility in non-commercial payments should be the starting point. These payments affected the citizens of the Comecon countries and were the visible side of the problem. A number of attempts at common rules were made (1973 agreement), as well as individual experiments (e.g., Poland and GDR in 1972-1973), but in general the problem of consumer price comparison remained unsolved. As far as trade payments are concerned, things were considerably more complicated here because of the problem of the contract price basis, which was externally set for the Comecon. From a purely theoretical point of view, it is believed that the basis for contract prices should be internal to the Comecon, and follow the Marxist concept of socially necessary labour costs formed as common to the Comecon, i.e. - "international socially necessary labour costs". However, this is an unattainable goal, given the weak integration and the lack of movement of labour, capital, etc. Capitalist prices remained as the basis, but despite their smoothing, they brought in the cycles of Western economies, inflation, etc. (see charts 6, 7, 8). Moreover, a number of national deviations (so-called exchange rate coefficients) were superimposed on the contract prices themselves.

The main issue was to determine the level of the exchange rate, whether it should be based on the structure of national production or on the structure of trade (structure of exports or structure of total trade turnover - exports plus imports). The convertible ruble was seen as a reserve currency that would perform these functions on a cashless basis. A number of economists, mainly Polish (Kaliński, 2013, Kaliński and Dwilewicz, 2014), went further and proposed the reserve currency to be gold (at the outset the transferable ruble itself was defined to gold). It was almost unrealistic to talk about convertibility to Western currencies. In general, the lack of convertibility hindered both multilateral payments and the integration process.

IV Concluding reflexions

In this study we have analysed the Comecon as an organization that proved unable to develop multilateralism mainly because of issues related to domestic planning that encouraged autarky and, at best, bilateral exchanges. Hence the Comecon tended to promote bilateralism instead of multilateralism. From there it is interesting to compare it with another experience of regional integration through a clearing mechanism: the EPU which ruled the intra-European trade from 1950 to 1958 (Faudot, 2020). In fact, it was in the years when the EPU countries were moving from multilateral clearing to market convertibility that the Comecon made the first attempts at multilateral settlement and clearing.

The EPU had from its beginning the clear objective to develop multilateral trade and end up with the convertibility of member countries' currencies. The political objective underlying this organization was the capitalist restoration of Western Europe through the reestablishment of industrial competitiveness to better rival with the Soviet Union. More generally, its objective was to struggle against the threats of communism in these war-torn countries. In fact, until 1950, Western Europe's trade was under bilateral rules and the attempts to improve them were unsuccessful. The slow progress of intra-European trade did not satisfy the governments involved as well as the United States agencies. The EPU was a consequence of the Marshall plan: the idea was to organize a clearing union for a more efficient use of the US dollars supplied by the United States to Western partners. The US dollar was the true hard currency "as good as gold" and was subject to a shortage. The clearing union at the centre of the EPU was therefore of the utmost importance to liberalize international trade.

The creation of the EPU allowed and even encouraged countries (let's say, e.g., country A) to record a bilateral deficit with country B compensated by a bilateral surplus with country C despite the difficulties of the post-war years. Without the clearing union, countries would have looked for bilateral balances, which means that country A would have decreased its import from B (to reduce its bilateral deficit) and country C would have reduced its imports from A (also to reduce its bilateral deficit). The EPU's clearing mechanism had a clear expansionary effect. The clearing mechanism was particularly useful in this period of dollar shortage.

The EPU was explicitly designed to be temporary. As the participating countries were also members of the newly created International Monetary Fund, they were committed to making their currencies freely convertible as soon as possible after the war.[44] Furthermore, Western Europe's governments desired to end exchange control inherent in the clearing union of the EPU. For these reasons, the EPU countries adopted a clear liberalization agenda that wanted not only to reinforce multilateral trade but also to bring the EPU to its own termination. Although some countries pushed for accelerating the termination of the Union (notably the Federal Republic of Germany and the United Kingdom) while others such as France and Italy preferred to maintain it for a few additional years, all countries agreed on the temporary nature of the EPU.

The Union was a great success. No less than 70% of the intra-European trade was settled through the clearing (compensation) mechanism (Table 5). This performance enabled Western Europe to save gold and dollars and greatly encouraged regional integration. The EPU contributed also to reduce Western Europe's dependence on US dollar, a lasting characteristic of European monetary integration. We present the bilateral positions and settlements within the EPU in table 10.

Table 10. Bilateral positions and settlements within the EPU, 1950-1958

<table>
<tr><td colspan="3">Bilateral positions</td><td>23323</td><td>23323</td><td>100</td></tr>
<tr><td colspan="3">Compensations (multilateral and through time)</td><td>16282</td><td>16282</td><td>70</td></tr>
<tr><td colspan="3">Effect of interest payments, initial balances as grants, existing resources, etc.</td><td>283</td><td>184</td><td>1</td></tr>
<tr><td colspan="3">Balances settled in gold and credit, including:</td><td>6658</td><td>6757</td><td>29</td></tr>
<tr><td rowspan="2">Gold</td><td>-</td><td>Settlement of monthly accounting positions</td><td>4306</td><td>4144</td><td rowspan="2">23</td></tr>
<tr><td>-</td><td>Repayment of credit</td><td>1050</td><td>1180</td></tr>
<tr><td rowspan="3">Credit</td><td>-</td><td>Ordinary (in quotas and extensions)</td><td>1117</td><td>1315</td><td rowspan="3">6</td></tr>
<tr><td>-</td><td>Initial balance loans</td><td>35</td><td>Ø</td></tr>
<tr><td>-</td><td>Special gold credits</td><td>150</td><td>118</td></tr>
</table>

[44] The EPU prevented the implementation of the basic policies decided at Bretton Woods in 1944 due to the continuation of wartime exchange controls. As a result, taking the EPU into account, the Bretton Woods period lasted barely 13 years, from December 1958 to August 1971.

Source: The authors, adapted from EPU (1959, p. 39)

We can observe that the clearing mechanism of the EPU was *instrumental* in solving the liquidity issue that had dwindled international (and especially intra-European) trade of Western European countries immediately after the war. It was part of the plan to overcome the dollar shortage for the period required to restore the competitiveness of the area. The United States pushed for the implementation of the EPU even though the Union involved discriminatory measures against the United States' economy. However, all the policymakers and advisors (or to be more accurate, almost all of them) agreed to dismantle the clearing apparatus once this objective was reached.

In comparison, the clearing mechanism of the Comecon was not conceived as an instrument of regional multilateralism. Korbonski (1990) considered that it was first used as a reply to Western initiatives for regional integration such as the European Economic Community and the EPU. It became then a tool for the residual trade occurring between countries that had adopted domestic plans with, in a sense, autarkic behaviors (Łazor and Morawski, 2014).

As a whole the present study has shown us the principle and practical limits of monetary integration between socialist economies. To the basic problems, in addition to national planning and the state monopoly of foreign trade, we can add the principle of equivalent exchange (based on the labour theory of value), the law of planned and proportional development, the underestimation of market mechanisms and private property, and finally low account of convertibility, as an important lever for effective specialization and development of any economy. In this perspective, in the absence of market mechanisms and supranational planning, sooner or later disintegration is reached.

This is also a specific lesson for the creation in today's reality of trade and geo-economic blocs, which could not last long, if one does not go either in the direction of market mechanisms of specialization and integration, or towards some form of supra-nationality and general planning and administration of bloc members economies.

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