Money, Financial Flows, and Credit in the Soviet Union
1. Problems of the United States as World Trader and Banker  
   Hal B. Lary

2. Price and Quantity Trends in the Foreign Trade of the United States  
   Robert E. Lipsey

3. Measuring Transactions Between World Areas  
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4. Imports of Manufactures from Less Developed Countries  
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5. The Responsiveness of Demand Policies to Balance of Payments: Postwar Patterns  
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7. Money, Financial Flows, and Credit in the Soviet Union  
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8. Foreign Dollar Balances and the International Role of the Dollar  
   Raymond F. Mikesell and J. Herbert Furth
Money, Financial Flows, and Credit in the Soviet Union

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FEDERAL RESERVE BANK OF NEW YORK

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(Resolution adopted October 25, 1926, as revised through September 30, 1974)
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THIS study can describe the core organic links with terms familiar to the student of the National study was suggested by a grant from a reading group of the National Institute of Economic Research.

A Reading Group was formed by W. Golde Gregory Gross, and Hal B. Lary on the study of financial processes and policy. Dealing with issues that affect the essential core of Soviet economy: this would be to impose a broad view of the underlying processes and policies that the reader is to make comprehensive understanding.

I have avoided detailed versions of the figures and tables to conserve space.
Preface

THIS study carries forward earlier endeavors of the author to describe the credit and banking system of the Soviet Union in terms familiar in nonsocialist countries while emphasizing its organic links with the centrally directed planned economy. This study was suggested by the late Harry Scherman, a former President of the National Bureau of Economic Research, and financed by a grant from the Harry Scherman Foundation.

A Reading Committee, consisting of Phillip Cagan and Raymond W. Goldsmith of the National Bureau’s staff and Professors Gregory Grossman of the University of California, Berkeley and John M. Montias of Yale University read an earlier and more detailed version of the manuscript and made valuable and constructive suggestions. Its present form owes much to the advice of Hal B. Lary on focus and organization.

Dealing with only one aspect of a complex economic system imposes serious limitations. The temptation had to be resisted to broaden the subject and to sketch out, at least in a broad outline, the essential characteristics and mechanisms of the Soviet economy: this would have increased the scope of the project beyond the resources available. I have assumed that the reader is familiar with the basic characteristics of the Soviet economy, on which a number of monographs are available. I have made reference to the underlying real processes and administrative arrangements only to the degree necessary to elucidate how the financial processes and policies related to them. I have furthermore assumed that the reader is familiar with the role of money, credit, and financial processes in the United States and that there is no need to make comparisons in order to emphasize contrasts.

I have avoided semantic discussions about the nature of the Soviet economic system which is variously described as a 'cen-
trally-directed,” “command,” “socialist,” or “communist” economy. Applying the word “socialist” to an economic—and political—system which has reduced freedom and choice to a minimum will be, no doubt, repugnant to some readers. I am using “socialist” merely because it is now more widely used than any of the alternative terms.

When a comparison is made with institutional arrangements in the “nonsocialist” world, the U.S. is the obvious point of reference, even though arrangements prevailing in the United States are not necessarily typical for the “free world” nor are adequately identified as a “free enterprise” system. The reader familiar with banking in France or with financing of capital formation in Italy will readily recognize that contrasts can be easily overdrawn, since the U.S. and the Soviet Union represent extreme cases in their respective spheres.

This study is based almost exclusively on Soviet sources. Use of Soviet statistics always requires lengthy discussion of their makeup, limitations, and meaning, so therefore statistical material is included mainly for illustrative rather than analytical purposes. The data shown in the tables serve mainly to establish the order of magnitude and broad trends—hence the use of selected years rather than presentation of continuous time series. Throughout, in the tables as well as in the text, except where specific statements to the contrary are made, the new (1961) ruble is used, into which all data for earlier years are converted.
Money, Financial Flows, and Credit in the Soviet Union
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