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Trends and Correlations in the Evolution of Monetary Circulation

In this paper the main requirements of monetary balance are formulated and the main factors which influence the evolution of monetary circulation and monetary stability are presented.

In the conditions of development of goods production and of money dealings, the judicious use of classes of value such as money and monetary circulation, credit, prices, the market, etc., is of great importance with a view of increasing the efficiency of social production and of achieving a balanced development of economy. Hence, the thorough knowledge of the part played by money in the broad process of reproduction, in the creation and circulation of the social product, as well as the knowledge of the qualitative and quantitative relationship between the material processes, on the one hand, and the monetary ones, on the other hand, is not only of theoretical but also of practical importance.

It is well known that money does not play a neutral part in economy. Although it mediates the circulation of goods and reflects it, its role exceeds this framework, since money and monetary circulation are used as an active instrument in the planned management of economy, in determining and achieving the necessary proportions of economic growth. Between the development of monetary processes, on the one hand, and of material processes, on the other hand, there is an interdependence in which the material processes play the most important part. Money and monetary circulation reflect operatively both the quantitative and the qualitative aspects of the reproduction process and the circumstantial trends which become manifest in the sphere of production and circulation.

In *contemporary capitalism*, money and monetary circulation constitute one of the main instruments by means of which the circumstantial cycle may be influenced. The rate of interest, by which the use of bank credit can be encouraged or slowed up, thus exerting an indirect influence on the level of financial means in economy, has been — in the past — and continues to be—at present—the key factor by which either the policy of "*cheap money*" or that of "*expensive money*" is promoted in accordance with the interests of the capitalist State.

A characteristic fact is that in the conditions of contemporary capitalism — in contrast with the period ranging from the beginnings of capitalist development down to the economic depression between the two World Wars — an independent financial policy is no longer promoted as an object *per se* pursuing the ensuring of full convertibility and of maintaining a given level of prices as unique criteria of monetary stability. Nowadays, in most capitalist countries, the financial policy is subordinated to the general objectives of the State's economic policy, and the aim pursued has ceased to be a purely monetary one. The final, predominant aim of financial policy has become, almost without any exception, economic development.

In contemporary capitalism the characteristic trend is to use money, monetary circulation, credits and prices in view of stimulating economic growth and this fact explains that the monetary theory is usually linked with the theory of conjuncture and of economic growth. This interweaving, on a theoretical level, reflects the close dependence between the financial-economic and the monetary policies.

In contemporary world the conception is more and more accepted that it is not the stability of prices which is the final aim of monetary policy, but economic growth, even though this growth should lead to an increase of prices and hence to a decrease of the purchasing power of money. In this context credit as a source of monetary means to expand production plays an important part.

An entire complex of mechanisms, such as the change of the level of bank interest, the regulation and setting of quotas for the compulsory bank reserves, etc, are used for influencing the conjuncture cycle. The aim of the differential establishment of the interest rate is to make the currency means cheaper or more expensive in agreement with the concrete requirements at the respective stage and by establishing the reserve quotas of commercial banks with the bank of issue, the volume of currency means existing in economy is modified by administrative means thus indirectly influencing the volume of investments and hence, the reproduction rate.

Besides the discount policy and the quotas set for banking reserves, so-called "open market operations" are also practised, consisting in sales or purchases of securities, mainly State bonds, by the bank of issue, with a view to influence the volume of monetary means in economy, in the sense that the sale of bonds leads to a restriction of the currency means level in economy, whereas the purchase of bonds increases them.

Already in the period following the economic world depression 1929—1933 many economists began to grant decisive importance to fiscal policy as being one of the means to control monetary and economic processes. Thus, the sizing

of State expenses, of taxation, of State credits, the control of investments, of subsidies, etc. have begun to be employed in view of exerting a prospective influence on economy.

It is generally assumed that the monetary and credit policy should constitute a tactical, operative policy, while the financial policy is a strategic instrument. Promoting an active financial policy the economists see in the State budget an instrument, and budgetary balance becomes an aspect of the problem and not a goal in itself. Thus, a budgetary deficit is considered a normal phenomenon whose proportions are established beforehand in accordance with the requirements of economy or of labour employment.

Money, credit and finance exert an influence not to be under-rated on the conjuncture and on the whole course of the economic life of capitalist countries at the present stage. Nevertheless, historical experience also shows the limits of these influences. Thus, the creation or the decrease of monetary means can only be efficient to the extent in which it overlaps the objective requirements of the production and circulation of goods, the requirements of the conjuncture cycle, since the broadening or narrowing of credit facilities depend, in the first place, on the cycle phases and on the objective requirements of reproduction. Likewise, the efficiency of currency key factors is limited on account of the fact that, as a rule, action is brought to bear in the field of circulation and not directly in that of production. However, the new qualitative aspect in the monetary policy of the contemporary capitalist world should be noticed. It consists in the direct intervention of the State in economic life and in the multilateral use of the value key factors both in their classical form and indirectly, by means of administrative regulations and decisions.

In *socialism* there is an entirely different background and, consequently, the manner in which the key factor of money, credit and prices is used is qualitatively different. It is obvious that the key factor of interest rate cannot exert a regulating role on production. The planning of the overall development of national economy comprises both the material and the monetary aspects.

However, inasmuch as in socialism too, the production of goods and the specific laws of this economic category are maintained, the socialist State takes into account the objective requirements of economic laws in the process of planning and following up the fulfilment of the plan.

Money and monetary circulation constitute, in socialism also, a highly important sensitive barometer which the socialist State uses in the process of plan design and in the control of its fulfilment. In our economy, on account of the existence of socialist ownership of means of production and on account of the planned management of the entire national economy, the main elements that have created the conditions of a spontaneous develpment of the monetary and material processes have been abolished.

However, some disproportions and non-correlations may occur in socialism too. It is well-known that the existence of goods contradictions makes the problem of realization also occur in socialism, while the capacity of money to effect its own circulation, independently of the material processes, results in an impossibility for the balancing of the material processes to automatically ensure the balance required in the sphere of monetary circulation.

Owing to this reason, money and monetary circulation, credit and prices, constitute important categories in socialist economy and their judicious utilization contributes to the harmonious and ascending development of national economy.

1. DEMANDS OF PROPORTIONALITY IN THE EVOLUTION OF MONETARY CIRCULATION

Any investigation of monetary processes is indissolubly related to at least three aspects: 1) *the economic process* that generates and conditions either the circulation of money or its existence in a certain quantity; 2) money ebb and flow, i.e. *monetary circulation*, which represents the motion of money in the process of the accomplishment of its functions; 3) *the monetary stock*, i.e., the quantity of money actually in circulation which ensures, on the one hand, the uninterrupted process of monetary ebb and flow, and on the other hand, is used as a means of accumulation and saving, as a precursory and preparatory step in effecting those operations which require a certain volume of monetary means.

Among these three aspects there are complex dependences of a quantitative and qualitative order, which form the conditions of monetary balance in economy. The general measuring rod of monetary balance consists in the estimation of the degree in which solvent demand is satisfied, in the sense that the existence, from the quantitative and qualitative standpoint, of agreement between the demand for goods and services, and their supply, present a normal, balanced situation.

Besides the requirement of agreement between solvent requirement on behalf of the participants to social production (the State, the economic organizations and enterprises, the population), and the supply of goods and services in the required assortments and quantities, it is also necessary to exist a certain correlation between the quantity of money in economy and the volume of payment and cashing operations which it effects.

By employing money and monetary relations one aims, first, at giving the most adequate use to the goods form, as a means of achieving social production and the requirements of a proportionality in the development of national economy. In the second place, one aims at increasing the productivity of labour, at stimulating technical progress and at improving goods quality, both for production means and for consumer goods. In the third place the use of money and monetary relations gives the possibility to measure the efficiency of production costs and of the level of profitableness, ensuring their comparison among enterprises and among branches, in view of increasing the efficiency of social work.

Money represents an elastic instrument in view of achieving the objectively necessary correlation between production on the one hand, and productive and unproductive consumption of the participants in the process of social production, on the other hand. In the process of creation, circulation and final use of the social product and of national income, money plays an active role, in the sense that money circulation and its accumulation in various links contributes to and influences the forming and achieving of basic correlations and proportions in national economy, such as:

— correlation between the income volume of the participants in social production (the State, the economic organizations and enterprises, the population), which represent demand, on the one hand, and the production volume, which represents supply, on the other hand;

— correlation between the volume of the monetary means existing in economy (in its two forms: in cash and in the form of account reserves) and the objective requirement of monetary means in the two spheres of monetary circulation.

Since money and monetary relations form an important key factor in the control of national economy, the proper adjustment of the manner in which the country's monetary system operates constitutes a necessary condition of the proportional and ascending development of national economy.

Taking this fact into account, a series of measures have been taken in our country already in the first few years of socialist construction in view of organizing a stable monetary system. Thus, the obligation has been established by law for the socialist units to keep their monetary reserves in banking accounts and carry out all their operations through these accounts, using the system of money transfer without any actual cash being involved. In this manner the sphere of cash operations has been restricted to the monetary relations of the socialist sector with the population and to the relations occurring among various categories of the population.

The strict delimitation between cash circulation and monetary circulation without cash does not deny but, on the contrary, assumes the dialectic interpenetration between these two forms of monetary circulation. Notwithstanding the juridical and organizational differences existing between the two forms of monetary circulation, from the standpoint of the essence of money both cash circulation and the transfer system without cash form inseparable parts of a unitary monetary circuit.

In the specialty literature the requirement of balance between demand and supply is sometimes limited to the aspect of individual consumption, i.e. to the aspect of cash circulation. We consider that this manner of approaching the problem restricts the possibilities of investigation and is at any rate incomplete. In the sphere of the circulation of enterprise funds, which conditions the sphere of cash circulation, problems of balance also arise, in the sense that *the demand of socialist organizations and enterprises for means of production, embodied by a certain amount of monetary means, must have a correspondent in the required material goods.*

Thus, recently, I. Văcărel showed that... "between the material stocks found at the producer's and the consumer's, on the one hand, and the monetary resources placed at their disposal ..., on the other hand, there must permanently exist a balance. If the enterprises dispose of monetary resources in a larger amount than the value of the materials provided in the plan, this can only be detrimental to the smooth running of national economy. Such enterprises are tempted to lay in a stock of some raw materials and materials in quantities exceeding the necessary ones, to neglect the rhythmic development of production and sale, since they are able to satisfy the burden connected with the payment of wages and of suppliers, even though the cashing of the value represented by the goods delivered is delayed". Likewise, "the freezing of funds in exaggerated stocks of materials and raw materials,

or of unachieved production, may place the enterprise in a situation where it is unable to cover the expenses connected with the payment of wages and of suppliers, and so on, from its monetary reserves. Under such circumstances, making the payments from loans guaranteed by the higher body involves penalizing interests, which raises the cost price" [1, p. 9].

It is obvious that under the planned economy existent in our country, where the use of account money and of cash is strictly established, the requirements of monetary balance in the sphere of circulation of enterprise monetary funds display a series of peculiarities and specific features, in comparison with the requirements of the balance in the sphere of the population's individual consumption, where money circulates in the form of cash.

Owing to this reason, the requirements of the balance should be investigated separately, bearing in mind the fact that the two spheres of monetary circulation interpenetrate and an unbalanced situation in one of the spheres will necessarily exert a negative influence on the other.

The unity of the monetary circuit reflects the unity of the process of expanded socialist reproduction. The entire monetary circuit of the country (with and without cash) is centered around a centralized banking system which forms the crediting centre of the whole national economy and the controlling centre of monetary circulation.

In our national economy, we distinguish the following main monetary circuits:

— the monetary circuit among the socialist organizations and enterprises, and between these, on the one hand, and the State budget and the National Bank on the other hand. This circuit runs through the account money i.e. on basis of transfers without cash;

— the monetary circuit between socialist economy, on the one hand, and the population, on the other hand. This circuit runs particularly through cash.

Within the socialist sector of economy the balance between incomes and the supply of goods is mainly achieved by the system of contracts and distribution related to the technical-material supply, while the agreement between the population's monetary income and the goods fund available for supply is achieved by the action of an entire series of factors among which money plays a decisive role.

The good organization of transfers without cash and of cash circulation aims at removing some negative influences that could appear in one of the spheres, over the other. Thus, for instance, difficulties in satisfying the population's demand for basic consumer goods would lead to a decrease in the stimulating influence exerted by the remuneration of work in money, a fact which would lead to a decrease of labour productivity and to a decrease of production in the two sectors (the production of means of production and the production of consumer goods. Thus, the unsatisfactory situation in the sphere of cash circulation would influence negatively the sphere of transfers without cash.

The lack of agreement between demand and supply in the sphere of consumer goods finally also leads, as a rule, to the appearance of a lack of balance in the sphere of production means, in the sense that the continued disagreement shown in the sphere of cash circulation would influence the planned level

of production in both sectors. This, on the one hand, stresses the existing lack of agreement in the sphere of consumer goods and, on the other hand, also creates a disproportion in the sphere of the production of means of production, whose volume then becomes insufficient to fulfil the plan tasks of socialist organizations and enterprises. The supply of means of production would lag behind demand, even though the purchasing units commanded monetary means to this end.

Total or partial disagreement between the demand for goods and their supply also reflects in the forming of monetary means in excess with the enterprises or with the population, in the appearance of speculation to acquire at black market prices certain scarce consumer goods, in re-sales at black market prices, in the increase in price of agricultural products in the rural market, etc. With regard to the means of production, the disagreement is evidenced by the practice of repeated interventions and the sending of delegates to ensure the required supplies and their "stimulation". In all cases the lack of necessary products leads to the infringement of the normal development of reproduction, to the slowing up of the rate of growth, to the unjustified increase in expenses and to lagging behind the objectives set by the State plan.

A negative phenomenon that is also linked with the difficulties in satisfying the population's requirements is the tendency of some enterprises to satisfy demand only globally, in value, by producing more expensive goods. The replacement of common assortments by others, higher, in price, without the latter having superior characteristics from the standpoint of their value in use, actually constitutes an invisible motion in prices, being the expression of departmental interests. The measures taken along a central plane in 1966, which make compulsory the manufacture of the common, cheap assortments, in the required quantities, are of a nature to prevent such phenomena and to contribute to a better fulfilment of the population's requirements.

In socialism, the division of labour is carried out in a planned manner. It may however happen for some of the products obtained not to correspond in all cases with the social requirements, and the social character of the labour materialized in them to only be recognized in the exchange process. The final phase in the circulation of the social product consists in productive and unproductive consumption and in the forming of accumulations.

The circulation of monetary means constitutes not only a reflection, but also the active instrument used in carrying out of the complex process of expanded socialist reproduction. The component parts of the social product reach the final phase of their circulation through the instrumentality of money. The circulation of money is directly linked with the circulation of goods.

The necessity for the circulation of money, relatively independent of the circulation of goods, follows from the very course of expanded socialist reproduction in which not only a provisional and systematic release of part of the funds occurs in monetary form, but also the circulation of these monetary means among economic organizations and enterprises, on the one hand, and budget and bank, on the other hand, to return, by the processes of re-distribution that are carried out through the financial and credit system, to those branches and enterprises that require supplementary monetary funds. Experience shows that although the ebb and flow of money is influenced by the

material processes, the proportionality in the monetary circulation is nevertheless also subjected to its proper, specific laws, and deficiencies in organizing the monetary system may exert a negative influence on the reproduction process, even if the proportionality of the material processes has been ensured in good conditions by the plan.

In the same manner in which a healthy monetary circulation stimulates increased production and labour productivity, the appearance of unhealthy trends in the sphere of monetary circulation may exert a negative influence on the normal development of the production and circulation of goods.

In view of preventing some negative processes in the monetary sphere it is necessary, in the first place, to know the mechanism through which the monetary means fulfil their functions and, in the second place, it is necessary to know the nature of the dependence between the material and the monetary processes.

2. DEPENDENCE BETWEEN THE MATERIAL AND THE MONETARY PROCESSES

In the national economy of our country, as also in that of other socialist countries, the basis of all monetary operations — with and without cash — is the global processs of reproduction. The phases of this reproduction consist in the continuous transformation of value from its material into its monetary form and again into its material form, etc., but every time in larger amounts.

The rapid development of the country supposes the priority growth of sector I (producing means of production) in comparison with sector II (producing consumer goods). The more rapid development of the production of means of production naturally determines the increase of their share, both in the volume of production and in that of circulation, as well as the corresponding decrease of the share of consumer goods.

Starting from the well-known reproduction schemes elaborated by Karl Marx, we can also analyze the complex dependences existing between the material and the monetary ebb and flow. Let us assume that, at the beginning of the production cycle — which we conventionally identify with the beginning of the period (of the year for instance) — economy disposes of the means of production necessary to fulfil a certain task, in the form of circulating and fixed funds, as well as of the labour force required to this end. In the first year of activity, the situation will show as follows:

I $4000\ c + 1000\ v + 1000\ p = 6000$ means of production
II $1500\ c + 750\ v + 750\ p = 3000$ consumer goods
9000 social product.

The surplus product of 1000 M.U. obtained in sector I is used for the investments required to expand production (400 pc), for the payment of the supplementary labour force hired (100 pv) and for the maintenance of the unproductive sphere (500 pn), while the surplus product of 750 M.U. obtained in sector II is used to expand production (100 pc), to pay supplementary labour force hired (50 pv) and to maintain the unproductive sphere (600 pn), i.e.

I $4000\ c + 400\ pc + 1000\ v + 100\ pv + 500\ pn = 6000$ means of production
II $1500\ c + 100\ pc + 750\ v + 50\ pv + 600\ pn = 3000$ consumer goods.

We notice that the first basic requirement of expanded reproduction yields:

$$I\ (v + p) > II\ c$$

which is completed by the following conditions:

a. The value of the social product in the first sector at the beginning of the period must be equal to the total value of the production means to be consumed in the subsequent cycle in both sectors:

$$I\ (c + v + p) = I\ (c + pc) + II\ (c + pc)$$

This equality shows the necessity for the funds allotted to accumulation to be effectively utilized. Were this equality not be respected, it would mean that part of the accumulation fund created in the respective cycle would not be utilized in the subsequent cycle.

b. The value of the social product in sector II at the beginning of the period should be equal to the income obtained in the subsequent cycle by the workers of the productive sphere in both sectors and also by those of the non-productiv sphere:

$$II\ (c + p + v) = I\ (v + pv + pn) + II\ (v + pv + pn)$$

The observance of this equality is required by the complete ensuring of the consumption of the members of society, as well as by the sale of the consumer goods on the market.

Taking the above into account, in the following year we shall have:

I 4400 c + 1100 v + 1100 p = 6600 means of production
II 1600 c + 800 v + 800 p = 3200 consumer goods
9800 social product.

Expanded reproduction, in its dynamic unfolding, requires increased monetary means, both in the form of cash and in the form of transfer without cash.

The schemes of reproduction show that, essentially, the requirements of proportionality in the country's economic development consist in the fact that, on the one hand, investments must be equal to accumulations and, on the other hand, the population's income should be covered by the production of consumer goods.

Analyzing the circulation of the component elements of the social product from the monetary standpoint, the following main aspects are noticed:

the circulation of the component parts of the social product is always conditioned by the circulation of money (whether the circulation is concomitant, in which case money operates as a means of circulation, or it is separate in time, in which case it operates as a mean of payment.) One of the prerequisites of this circulation is the existence of a certain quantity of money, sufficiently elastic, taking into account the continuous increase of the social product and the multitude of links concurring to its production and circulation from the production and circulation stages down to the final, productive or unproductive, consumption stage;

— in the process of circulation of the component parts of the social product i.e. in the production and circulation stage, certain amounts of money which accrue either in banking accounts or in cash with the population, are temporarily released. The volume of these amounts should fully agree with the monetary requirements of economy;

— money circulation, in what regards its inner structure, is conditioned by the structure of the social product and of the national income (ratio between sectors I and II, division of national income into accumulation fund and consumption fund, weight of individual consumption vs. total consumption fund);

— the passing of the use values from one stage to another of the process of reproduction requires the existence of a corresponding stock of monetary means, both in the form of account money and in the form of cash, since the means of reproduction are achieved through the transfer without cash, while the consumer goods are achieved through the instrumentality of cash circulation;

— just as, in the conditions of an ascending evolution of economy the social product obtained at the end of the cycle is superior to the initial one, likewise the monetary means involved in this process will have to record a corresponding increase; the supplementary monetary means (in the form of account money and of cash) required to expand production, are provided by the National Bank in the process of crediting goods production and circulation.

The planning of monetary circulation is carried out by the general economic planning in which the monetary and financial plans play the role of establishing the necessary balance between the material resources of the country and the monetary means which the participants in social production dispose of.

Within the financial planning *the balance of the links between branches* and *the centralized financial plan* of national economy holds a central place. This plan comprises the totality of the monetary resources of economy and the mode of their use, localizing the dependences and links that occur between the branches and sectors of economy. By means of the *State budget* which is the State's basic financial plan, the mustering of an important part of the surplus product is ensured, as well as its distribution to the productive and non-productive spheres, thus playing a decisive part in the development of the branches of national economy.

To establish the necessary correlations in the sphere of the population's consumption *balances of the population's monetary income and expenses* are used; they comprise the population's monetary income by sources of origin and the mode in which they are utilized. The importance of the balance rests, on the one hand, in the fact that it allows the establishment of a just correlation between the population's purchasing fund and the goods fund available for sale, and, on the other hand, it shows the trend of evolution of the population's monetary reserves both in the form of cash and in the form of savings deposits at the Savings and Consignment Bank.

Operative planning of monetary circulation, which has the role of ensuring the measures necessary to achieve the general objectives of economic and financial planning, is carried out by the quarterly credit and cash plans.

In the *credit plan* are reflected the main monetary circuits in economy, both the ones with cash and the ones without cash. In this plan is comprised the distribution of the monetary stock among the participants in social production, i.e. among State, economic organizations and enterprises, as well as population. The *cash plan* comprises all the cash ebb and flow from the bank to the population and from the population to the bank, consti-

tuting the compulsory norm both for the bank units and for all the socialist units that carry out payment and cashing operations with cash. The norm regarding the emission of cash in the respective period results from the correlation of payments and cashings in the cash plan.

The use of credit to satisfy the monetary means requirements of economy ensures a prompt and elastic security. The right to obtain money in the form of credits appears in enterprises as a rule in the process of the production of goods and of the circulation of goods. To the extent in which the expanding of credit, i.e. the putting into circulation of a supplementary amount of means of payment, coincides with a corresponding increase in the production and circulation of goods, there is a certainty that the monetary ebb and flow takes place normally and that the money emitted will return to the bank concomitantly with the repayment of the credit.

3. TRENDS IN THE EVOLUTION OF MONETARY MEANS IN ECONOMY

The investigation of the monetary ebb and flow — with and without cash — in economy, in comparison with the motion of the component parts of the social product, in their path from the stage of production to the stage of final consumption, shows the close links existing between proportionality in the country's economic development and the normal evolution of monetary circulation.

The rapid rate of development of industry, the leading branch in the national economy of socialist Romania, has led to an important increase of the social product and of the national income. The increase of the material process has also been accompanied by the increase of the monetary operations in economy. The dynamics of total industrial output, of the social product and of the national income, compared to the dynamics of total monetary operations — without and with cash — result from the data in Table 1.

Table 1

	Total industrial output	Social product	National income	Total volume of payments	Payments	
					without cash	with cash
1960	100	100	100	100	100	100
1961	115	115	114	113	113	111
1962	132	122	118	126	127	123
1963	149	139	127	144	146	134
1964	170	156	140	161	163	144
1965	191	169	150	172	174	160
1966	213	184	162	191	193	178

From the analysis of the data characterizing the material process in economy, on the one hand, and of those characterizing monetary ebb and flow under its two forms, on the other hand, the close evolution of the dynamics of monetary operations in comparison with the rate of development of material processes stands out. Thus, the dynamics of payments without cash in economy — which reflect the evolution of payment by transfer for the delivery of goods, carrying out of services and achievement of works, effected

by the National Bank and by the Investment Bank as well as the payments related with the forming of the sinking fund and with payments to the State budget — stand lower than the rate of increase of industrial production, but to a certain extent higher than the rate of increase of the social product and of the national income.

The proportion between the volume of monetary circulation with and without cash in the framework of the total monetary circulation is influenced by a complexity of factors.

First of all, the social and juridical background of the economic system must be taken into consideration. If the means of production were not socialized and the economy were not managed on a planned basis, the proportion between the two forms of monetary circulations would differ from one period to the other in accordance with the will of the participants in social production, the participants being free to choose the form of transfer and modality of payment. Under the conditions of our economy, the circulation of cash is limited to the sphere of the population's individual consumption, as the use of cash in the sphere of the circulation of funds is forbidden by law.

In the second place, the proportion between the two forms of monetary circulation is influenced by the proportion between sectors I and II of social production. A more rapid increase of sector I with respect to sector II would result in a more rapid increase of transfers without cash with respect to the increase of cash circulation.

In the third place, the proportion analyzed is influenced by the price system and by the place where the tax on the circulation of goods is levied. It is obvious that the level of the circulation of cash and of account money will correspond to the given level of prices in the two sectors, to the extent in which the prices of goods in sectors I and II are influenced by the place where the tax on circulation is levied. Statistical data show that the share of cash operations, out of the total volume of monetary operations in economy is :

Table 2

	1960	1961	1962	1963	1964	1965	1966
Payments without cash	86	86	86	87	87	87	87
Payments with cash	14	14	14	13	13	13	13

The fact that the weight of payments with cash (abstraction is made of the peasant market whose share out of the total turnover is small), out of the total volume of monetary operations, has a decreasing trend is due to the increase of monetary operations without cash at a faster rate.

Although the weight of operations with cash is relatively low with respect to the totality of monetary operations in economy, the sphere of cash circulation is nevertheless particularly important since part of the national income is achieved in cash and it is also in the circulation of cash that the measures taken by the State to raise the living standard are reflected.

The evolution of cash can be best characterized by the dynamics of the population's monetary income in socialist economy and the sale of goods through socialist trade, which absorbs the greatest part of the incomes.

Table 3

	Monetary incomes indices		Sales of goods indices		Share of goods purchase vs. income
	series	chain	series	chain	
1960	100	—	100	—	77
1961	111	111	114	114	78
1962	122	110	128	112	80
1963	135	110	139	108	79
1964	145	108	151	109	79
1965	161	111	163	108	79
1966	178	111	179	110	78

There follows that the monetary income and the sale of goods through socialist trade record close rates of increase, a fact also confirmed by the almost stationary share of the population's purchase of goods from the socialist sector (78—79%).

Some conjunctural aspects that are characteristic of the manner in which incomes are used are reflected in the increase of savings deposited at the Savings and Consignment Bank. It is well-known that the monetary income does not appear entirely as an effective demand of goods and services. Part of the income remains unspent and is used to form the population's monetary reserves in the form of cash and under the form of deposits at the Savings and Consignment Bank.

The dynamics of the population's monetary reserves deposited at the Savings and Consignment Bank show a very high rate of increase:

Table 4

1960	1961	1962	1963	1964	1965	1966
100	139	185	269	359	506	700

The marked increase of deposits at the Savings and Consignment Bank reflects both the increase of the population's monetary income and, particularly, the changes in consumption and the trend of demand. It is well known that for the purchase of current use goods the income of the period in which the expenditure is made is employed, whereas the purchase of goods of high value and long use requires preliminary accumulation of monetary resources. The orientation of the population's demand towards goods of a high value and long use constitutes the decisive factor of forming monetary savings at the Savings and Consignment Bank. From the analysis of the structure of the sale of goods to the population through socialist trade there results that for an 88% increase of total expenses in 1965 in comparison with 1959, the sales of metal-chemical and electro-chemical articles have increased by 177%, the sales of TV sets by 895%, of refrigerators by 2115%, of electric washing machines by 266%.

The necessary monetary means required by the production and circulation of goods is ensured at the expense of the accumulations that are distributed and redistributed through the State budget as well as at the expense of short-term bank credits. Starting from the premise that every granting of credit is an act by which a quantity of money required for the achievement of the social product is made available to economy and every credit refunded is an act by which money is withdrawn from circulation after it has accomplished its function in the process of reproduction, there results that *the net increase of credits in a given period represents an issue of means of payment with and without cash.*

The evolution of the short-term credits granted by the National Bank in the period 1960—1966 in comparison with that of the main categories of resources, which represent monetary means concentrated in banking accounts, is shown in the following table:

Table 5

	Credits	Crediting resources			
		Own funds	Budgetary means	Economy means	Institution means
1960	100	100	100	100	100
1961	102	100	109	119	73
1962	106	106	104	132	86
1963	121	107	119	152	98
1964	135	107	147	153	103
1965	150	143	145	181	147
1966	159	142	135	207	195

One of the main conclusions which stand out is that the rate of increase of the credits granted to economy is below the rate of increase of total industrial production, of the social product and of the national income; this reflects the judicious management of the monetary means. The fact that the increase of credits occurred mainly at the expense of the increase of the economy means, i.e. at the expense of the reserves in the accounts of the economic organizations and enterprises, reflects the interaction between credits and resources since it is well known that the bank only grants credits for the production and circulation of goods.

When analyzing the proportions shown, which refer to the balance of the credits and reserves in accounts at the end of every year, it should be noted that both the volume of the monetary means in accounts and the volume of credits are not static proportions. Having in view the fact that the circulation of the social product is a continuous motion controlled by credits, *the balance between the value of the non-distributed social product* (sum of the credits granted) *and the sum of the monetary means in accounts* (bank liabilities) *must be permanently achieved.*

The equality which will always exist between credits and resources may, however, be an accounting equality and not an economic one since this equality will also occur under a lack of balance from the standpoint of the structure and assortments required for a normal reproduction. The ensuring of as com-

plete agreement as possible between demand and supply, both in the sector of production of means of production and in the sector of consumer goods is of particular importance in this sense.

Along the same line it may be stressed that *the volume of credits should in no case be increased in the hypothesis of a lack of corresponding material covering.* Likewise, the interests of proportionality require that *the level of credited stocks be maintained within the minimum limits required by the uninterrupted carrying on of production and circulation.* Larger stocks than the objectively necessary amount constitute a useless immobilisation of part of the national income, influencing negatively its distribution between accumulation and consumption. Finally, *the volume of credits should not be increased as a consequence of the requirements for funds resulting from interruptions in production or circulation*, caused by the inadequate quality of some stocks or by their incomplete assortment.

The non-observance of the objective requirements of crediting does not lead to a lack of balance between credits and resources, since a swelling of both parts of the bank balance will automatically occur, but to an increase in the quantity of money without covering or whose covering would consist in stocks which are the expression of some deviations from the normal carrying out of the process of reproduction.

The conclusion that stands out consists is that *the equality, for the total, between credits and resources, in the balance sheet of the National Bank only expresses the quantitative side of the balance*, while its qualitative side, i.e. the concordance between the elements of demand, and the assortments and quality of supply require the investigation of an entire complex of correlations.

By analyzing the manner in which monetary ebb and flow occurs in economy one notices that in the framework of the continuous process of account and cash monetary circulation, part of the money involved in this process is found again and again under the form of monetary balance in banking accounts, and under the form of cash balances with the population. These cash balances that form and are used in the process of circulation can be characterized as being permanent money reserves which serve the economic circuit. These current money reserves should not be mistaken with the monetary accumulations and with the savings which have another character. The latter are a manifestation of the function of money as a means of accumulation and savings, while the current reserves are a manifestation of the function of money as a means of circulation and payment.

The forming of these current reserves in banking accounts and with the population is not an incidental or undesirable process that could be avoided by a better organization of the material and monetary ebb and flow; on the contrary, *it constitutes one of the conditions of the uninterrupted circulation of money in the fulfilment of its functions.*

Taking the above into account, an analysis of monetary balance cannot be limited to only one of the aspects of monetary circulation, but it should comprise both of them on equal footing: the dynamic aspect of monetary ebb and flow, as well as the apparently static aspect of the monetary amount.

The first aspect is materialized in cash circulation (forming of incomes and their use) and in the circulation of account money (volume of transfers without cash), and the second in the monetary amount (monetary reserves in banking accounts and existing cash in circulation.)

It stands out obviously that the circulation of (account and cash) money may be regarded as a function of the circulation of the component parts of the social product in the process of reproduction, in the sense that the increase of social product from one year to the other necessarily leads to an increase of the monetary circulation too.

However, it is imperative to stipulate that the organizing elements can also exert an influence able to modify the direct dependence between the volume of the social product and the volume of monetary turnover. It is thus well known that in a modern economy, specializing in production is practised on an ever wider scale, co-operation between enterprises becoming broader. Likewise, a better supply of the retail distribution network with as complex as possible an assortment of goods requires the establishment of specialized bases as links between industry and trade. The existence of a multitude of units which co-operate in view of producing a given product, as well as of the intermediary links, increases the volume of transfers, and hence also the circulation of account money, a fact which shows the complexity of the dependence between its volume and the volume of the social product.

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There results from the above that one of the basic problems of proportionality in the development of economy is the ensuring of normal monetary circulation, i.e. the providing of economy with the necessary monetary means; this signifies the non-acceptance of the forming of monetary means in excess, which would lead to the appearance of disproportions between demand and suply in the sphere of the population's consumption, as well as between the monetary means and the material resources in the sphere of production and of investments.

There are many points of incidence between the circulation of goods and the circulation of money, since money is the factor that causes the circulation of goods, but the circulation of money only coincides partly, in time, with the circulation of goods. The necessary proportionality between the material and the monetary means is achieved consciously in the framework of our planned economy, by the use of the system of balances, by the system of contracts and by the distribution of goods through the technical-material supply, by the establishment of the necessary correlations between incomes, labour productivity and production level, as well as by the use of the value key factor which make up the ensemble of measures of the monetary policy.

The control of monetary circulation is achieved through the instrumentality of credit operation and by organizing the monetary operations with and without cash. By crediting the enterprises and organizations, national economy is provided with the monetary means required in view of achieving the social product, of distributing and re-distributing the national income. Hence, the proper organization of the system of crediting, transferring and complying with the cash discipline contribute to the normal functioning of monetary circulation and monetary stability.

The concordance between the material balances, on the one hand, and the correlation between the financial resources and their use on the other hand, constitute the basic condition of monetary stability and normal mone-

tary circulation. Concomitantly, however, a stable and well organized monetary system creates the necessary conditions for carrying out the processes of production, distribution, exchange and final consumption, as well as for the efficient use of the monetary key factors.

The normal evolution of monetary circulation depends on the undisturbed development of the exchange of activities in the framework of national economy, on the good organization of the division of labour, and on the adjustment of the volume and structure of production to the social needs. The correct determination of the proportions in economy does not, however, automatically guarantee the adjustment of the demand to the supply of goods and services under the conditions of an unchanged level of prices. Monetary balance depends, on the other hand, on extra-monetary factors (proportions in economy), and on the other hand, on monetary factors (organization of monetary system, mechanism and regulating of emission, organizing and regulating of transfers).

The monetary means in economy express a certain amount of values, hence a certain amount of goods, which can be used for the development of economy or for increasing the population's consumption. In the last analysis this stock of monetary means expresses the necessity of a certain volume of goods in view of ensuring the aim in view. The basic requirement of monetary balance lies in the existence of agreement between the volume of monetary means free for the purchase of goods and services, on the one hand, and the available fund of goods and services, on the other hand. It is obvious that this agreement should be understood both quantitatively and qualitatively, from the standpoint of assortments.

It is only under these conditions that a continuous and undisturbed circulation of the component parts of the social product value, and hence also of the monetary circulation, can be ensured. An eventual disagreement between the distribution of goods and the effective forming of the monetary means brings a negative influence to bear on the fulfilment of the plan, preventing the planned achievement of reproduction.

In the process of production and circulation, a continuous exchange of activities occurs, conditioned by the social division of labour. Although the division of labour has a planned character, nevertheless, the problem of realization arises in socialism also. The non-antagonistic contradictions still existing between concrete and abstract labour, between the use value and the goods value results in some products sometimes failing to correspond to social requirements, and the social character of the work materialized in them — whether they be means of production or consumer goods — can only be recognized in the process of exchange, in the market.

The investigation of the ensemble of factors which bear an influence on the proportions and dynamics of both monetary circulation and the monetary stock under its two forms — account and cash — should offer new possibilities in view of a better knowledge of objective requirements and laws of reproduction. Likewise, a knowledge of the factors which condition and determine the monetary processes causally, should lead to singling out the long term conjunctural trends and taking them into consideration in the prospective planning of national economy.

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TENDANCES ET CORRELATIONS DANS L'EVOLUTION DE LA CIRCULATION MONETAIRE

Le développement de la production de marchandises et des relations monétaires, ainsi que l'amélioration de l'efficacité de la production sociale — nécessités impératives dans l'étape actuelle de la construction du socialisme dans notre pays — requierent l'utilisation la plus judicieuse possible des éléments de la valeur tels que l'argent, la circulation monétaire, le crédit, les prix, etc. Dans ce sens, l'investigation des dépendances réciproques qui existent entre les processus matériaux et monétaires ont une importance non seulement théorique, mais aussi pratique.

Dû au fait que les processus monétaires, quoique générés et conditionnés par les processus matériels, ont toutefois la capacité d'effectuer des mouvements propres, indépendants, l'équilibre des processus matériaux n'assure pas automatiquement l'équilibre requis dans la sphère de la circulation monétaire. On formule dans cet article les principales exigences de l'équilibre monétaire et on présente les principaux facteurs influençant l'évolution de la circulation monétaire et la stabilité de la monnaie.

En abordant ces problèmes on prend comme point de départ le processus d'ensemble de la reproduction, en considérant que le mouvement des parties qui composent le produit social (de l'étape de la production jusqu'à celle de l'utilisation finale) détermine les proportions et les rythmes du flux et du reflux de l'argent dans l'économie, tant sous forme de circulation de l'argent de compte, que sous forme de circulation du numéraire. Ceci offre un riche matériel économique et statistique qui permet de faire ressortir certaines conclusions concernant les tendances de conjoncture dans la sphère monétaire et l'interdépendance complexe existant entre les processus matériaux et les processus monétaires.

ТЕНДЕНЦИИ И СООТНОШЕНИЯ В ЭВОЛЮЦИИ ДЕНЕЖНОГО ОБРАЩЕНИЯ

Развитие товарной продукции и денежных соотношений, а также и рост эффективности общественного производства — являющиеся на настоящем этапе необходимыми требованиями строительства социализма в нашей стране, — делают необходимым как можно более рациональное использование таких ценных рычагов стоимости, как денежные знаки, денежное обращение, кредит, цены и т. д. В этом смысле изучение взаимосвязи между материальными и денежными процессами имеет не только теоретическое, но и практическое значение.

Благодаря тому обстоятельству, что денежные процессы, — хотя и порождаемые и обуславливаемые процессами материальными, — все же обладают способностью протекать независимо от них, уравновешение материальных процессов не обеспечивает автоматически равновесие, необходимое в сфере обращения денежных знаков. В данном труде, формулируются главные условия, необходимые для поддержания денежного равновесия и указываются важнейшие факторы, влияющие на эволюцию денежного обращения и устойчивость денежных знаков.

Авторы рассматривают эти вопросы исходя из общего процесса воспроизводства, считая, что движение составных частей общественного производства (начиная со стадии производства продукции и вплоть до стадии конечного использования) обуславливает пропорции и темпы притока денежных средств, происходящих из сбережений, как в форме счетных денег, так и в форме обращения денежных знаков. Это предоставляет в наше распоряжение обширный экономический и статистический материал, позволяющий сделать ряд заключений, касающихся конъюнктурных тенденций в денежной сфере и комплексной взаимозависимости между материальными и денежными процессами.