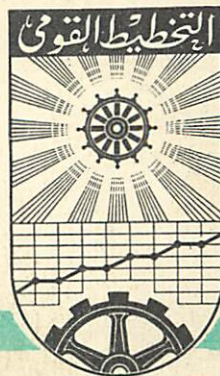


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SOME ASPECTS OF CHANGES  
IN WORLD ECONOMY VIEWED FROM  
THE HUNGARIAN ANGLE

BY

Dr. JANOS SZITA

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Some Aspects of Changes in World Economy Viewed from  
the Hungarian Angle

The deep-going changes in world economy have today come into the focus of all debates on economy.

On one single occasion it is certainly not possible to discuss in detail all correlations of these changes, nor is it my intention to do so in this lecture, yet I should like to point out some problems that are of particular interests for Hungarian economists. I shall assign them to the following three groups:

- the background of changes in world economy;
- the struggle for a new international economic order;
- world-economic changes and Hungary.

I.

The Background of Changes in World Economy

The international economic literature as well as debates at various international forums very often feature views attributing the changes in recent years to this or that event. In our opinion, it is not possible to understand phenomena and to prepare for their possible consequences without trying to analyse the causes in a wider setting and from the viewpoint of the most important correlations, to say the least. If we single out separately the rise in oil prices, the problems of developing countries, the crisis phenomena in capitalist countries or the world's food problem, we remain on the surface.



The changes that have taken place and that will take place cannot be understood without examining, first and foremost, the changes in the international economic and political power relations. Not long ago the functional mechanism of the world economy was still fundamentally characterized by the interests of capitalist economy, namely - as could clearly be observed in the financial system of Bretton Woods, for instance - interests which corresponded to the period immediately following the Second World War. Since then, world history has witness two salient processes: the establishment of socialist world order and the decomposition of the colonial system.

1. The weight and role of the socialist countries in both international politics and world economy have grown considerably. The CMEA countries, in 1950, for instance, had a 20 per cent share in the industrial production of the world, a figure which has since well exceeded 30 per cent. The growth of <sup>their</sup> ~~our~~ per capita national income has been about one and a half times higher than that of the developed capitalist countries. Today the quickest rate of development can be observed in the socialist countries. An important part in this is played by the Soviet Union, the first socialist state of the world, as well as by the close political and economic co-operation of the



socialist countries. It is difficult, if not impossible, to quantify the significance of the internal social transformation which has put an end to the uncertainty of existence, has led to a just distribution of incomes and to the elimination of exploitation and which has resulted in a rapid rise of the cultural and social standards of the population in a country formerly living in semifeudal circumstances, like Hungary.

The economic development of Hungary over the past quarter of a century may perhaps best be characterized by pointing out that the per capital national income has risen 3.4 times during this period. The rapid economic development of the socialist countries without crises and regressions is an attractive example for the large masses even though they may not conceive their evolution in the same manner. It proves that consistent progressive internal policy coupled with <sup>achieving</sup> economic independence enables countries successfully to fight the economic system of imperialism and to break away from it. Today no essential problem in world economy - not to speak about world politics - can firmly be solved without considering the interests of the socialist countries, without realizing their international status.



2. The other fact of historic consequence that has changed the international power relations is the dissolution of the colonial system. This process was greatly accelerated by the strengthening of the socialist system. The consequences of the disintegration of the colonial system can be characterized as follows:

- The political alliance of socialist countries and of the peoples fighting for their independence has been established in the struggle for liquidating the colonial system;
- Imperialism has been compelled to make concessions that have made it impossible to maintain the modes of exploitation used earlier;
- The economic position of the colonial powers has weakened considerably but we can witness a strengthening of the position of those which had earlier applied the neocolonialist methods of more elastic economic penetration;
- The situation in which a few big capitalist countries could take decisions concerning problems affecting the major part of the world is disappearing, and they are more and more compelled to take into account also the endeavours of the liberated countries;



- The existence of the socialist world order and the strengthening solidarity of the developing countries - particularly what manifests itself in the movement of the unaligned countries - render imperialistic manoeuvres difficult;

- The significance of the raw-material resources of the developing countries in meeting demand in other parts of the world continues to be considerable while the competition of the developed capitalist countries for markets in the developing ones is becoming keener and keener;

- The political independence of the developing countries has by far not involved the consolidation of their economic independence yet the establishment of their political independence itself evidently triggers off internal economic development to a certain extent /like customs frontiers, requirements of national political objectives etc./.

Yet with the consolidation of the political situation the countries are becoming more and more conscious of economic development which soon leads to realizing the necessity of economic independence and to the evolution of the fight for the consolidation of economic independence in addition to political independence. This fight is promoted by the



fact that in critical cases the developing countries may reckon with the help of socialist countries - to the extent of their economic capacities. Let us just recall such examples as the Assuan Dam, the nationalization of Iraqi oil, the ~~blockade~~ blockade against Cuba, the situation in Angola etc.

3. In addition to the disintegration of the colonial system and to the evolution of the socialist world order, a number of other factors also affect the appearance of new phenomena in world economy. One of these factors is the changing of the power relations of the developed capitalist countries. In 1950, for instance, the actual member states of the Common Market made up 27 per cent of the world's export, Japan yielding 1.5 per cent of it while in 1975 the corresponding figures were 34 per cent and 7 per cent, respectively. During the same period the share of US exports fell from 17 to 12 per cent. In spite of this decrease the US is still the strongest capitalist power of the world, particularly if we consider, beside its commercial turnover, also its weight in possessing the most advanced technologies as well as the world-economic impact of the American-owned international monopolies all over the world.



4. The image of the world has radically been changed by the rapid scientifico-technical revolution. Nuclear physics and technologies, artificial giant molecules, synthetic materials, computer techniques, electronics have rapidly gained <sup>ed</sup> ground in industry. As far as research input and the capital-intensity of investments are concerned these novelties raise new requirements which <sup>fewer and fewer countries</sup> ~~few and fewer~~ can cope with alone. At the same time, these technologies are more differentiated than the earlier ones and are less suitable for elastically following the sudden changes in market demand. Owing to technical development, the products needing advanced technologies and manufactured in a large part by big international monopolies are becoming more and more expensive while products representing middling or backward technologies are losing their value in the world economy.

5. A fundamental characteristic of international economic life is that economic processes are becoming more and more international:

- The development of the forces of production, of technologies continuously increases the dimensions of ~~the~~ production. The home market of smaller countries cannot absorb such products which then have to be realized abroad and require a deeper international division of labour.



- The big capitalist monopolies are gradually transformed into transnational enterprises wishing to impose their own international economic policies disregarding the national interests of the individual countries;

- Certain groups of countries achieve stronger integration for exploiting advantages deriving from the international division of labour. The co-operation of the socialist countries within CMEA has evolved new features of the system of international relations characterized, among other things, by equality, mutual assistance and planned international connections. West-European integration within the Common Market has taken a different line of evolution, namely a direction toward the integration of the markets in the first place and towards the domination of the market by the stronger;

- Modern technologies have contributed not only to rapid technical development but also to the movement of people, to a rapid diffusion of instruments, views and diseases far beyond the national borders;

- Mankind is taking possession of natural environment, involving again the necessity of international regulation;



- An unfailing sign of the internationalization of economic processes is the fact that during the past quarter of a century world trade has grown more than three-fold as compared with world production.

- Economic contacts beyond trade are gradually widening among countries, as is shown by such examples as transfer of technologies, production co-operation, co-operation in research, a co-ordinated development of the infrastructure in the case of countries lying close to one another etc.

All this is borne out by the rapid development of international trade, by the fact that about one-third of the investment goods produced in the world, more than one-fourth of the energy carriers and raw materials and one tenth of the consumer goods reach the utilizers through the channels of foreign trade. There is a growing inter<sup>ac</sup>tion between national economies resulting in an intricate system of ties wherein an important role is played by the degree of independence achieved by the individual economies /which, in turn, is associated with the problem of economic advancement/, on the one hand, and, on the other, by the growth of mutual ~~i~~dependence of the individual national economies. These are affected also by their being dependent on the import of energy



carriers, raw materials, foodstuff and investment goods. For most countries a primary factor of growth is the efficiency of their participation in the international division of labour. The existing development trends cannot be ignored by seclusion or by trying to achieve protectionism. The dependence of countries on foreign economic relations is reduced only apparently by isolation; seclusion, in fact, exposes them to the effect of forces which they could anyway not avoid but which thus affect them unexpectedly and penetrate them in an undesirable manner. The actual task is to assess the trends, their inclusion into the national development plan after a realistic evaluation of the risks involved, and the formulation of an economic policy aimed at strengthening economic positions by making use of these trends and at securing the conditions of development.

The nature of dependence on foreign economic relations, however, is <sup>closely related to</sup> ~~a function of~~ the socio-economic system of the given countries. In the capitalist system - even if the state tries to reduce the untoward effects by a certain degree of intervention - the gradual internationalization of economic processes leads to a unilateral dependence to the benefit of the economically stronger countries, <sup>respectively</sup> ~~i.e.~~ of the



big international monopolies. The fundamental characteristics of socialist economic relations are equality and mutual economic assistance in the fight for economic growth, for reducing the differences in economic advancement and against the harmful effects of the capitalist world-economic environment.

The gradual internationalization of economic life is shown also by the growing number of problems that can only be solved within global co-operation. Let it suffice to mention just a few of those determining the life of future generations on this globe and requiring therefore an alliance of the forces all over the world:

- the solution of the economic problems of the developing countries, /which will be discussed in detail later/,
- fight against starvation,
- fight against devastating diseases,
- the prevention of the self-destructing pollution of our environment,
- the exploitation of the treasures of the sea bottom,
- the protection and reasonable utilization of the fresh-water resources,
- the economical handling of mineral raw materials.



6. The "crisis" in energy and raw materials is a conspicuous phenomenon of recent years which many an expert would like to ascribe exclusively to the behaviour of the oil-producing countries taking part in OPEC. Thereby they wish to conceal the fact that the economies of the developed capitalist countries rely mainly on the exploitation of these raw materials, that the monopolies still have a hand in a considerable part of exploitation, particularly in the international trade of raw materials, and that these monopolies are responsible for the tendencies that have led to the prodigal utilization of the resources which, after all, are available to mankind in limited quantities. At any rate it is unavoidable to realize that the era of inexpensive energy resources and raw materials has come to an end, and what has happened in this respect is not just certain changes in prices but deep-going structural changes.

7. Another world-economic phenomenon not to be neglected is the confusion in the capitalist financial system which has manifested itself in the evolution of inflation and in the disintegration of the international monetary system. This is another sign of the growing incapacity of the capitalist world economy for maintaining its functional mechanism.



Inflation, which the US - making use of the key currency function of the dollar - has dumped upon the capitalist world to counterbalance its inflated military expenses, can hardly be harnessed and, the joint occurrence of inflation and stagnation, i.e. stagflation - which seemed to be an economic paradox in earlier times - has become daily practice.

8. Under such conditions the capitalist world economy can not much longer ensure the development of international economic relations and will, in the long run, not be able to solve the grave problems that can be observed in world economy, ~~an~~ for instance, such tendencies to polarization as the contradiction between rich and poor, between exploiters and exploited. This, again, goes to show that the entire order of world economy is in bad need of radical changes. The capitalist world economy is again and again bumping into its own contradictions which do not permit the selection of optimum solutions complying with the interests of the entire society. The solution of the problems cropping up is a long-term task.

The fundamental structural contradictions are enhanced by the cyclic overproduction crisis of the capitalist world economy in the last few years.