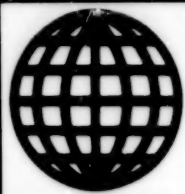


JPRS-CRF-88-016  
8 JULY 1988



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# ***JPRS Report***

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# **China**

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***RED FLAG***

No 9, 1 May 1988

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RED FLAG

No 9, 1 May 1988

**Emancipation of the Mind and Criterion of Practice—Written To Commemorate the 10th Anniversary of the Discussion on 'Practice Is the Sole Criterion for Testing Truth'**

HK2505000188 Beijing HONGQI [RED FLAG] in Chinese No 9, 1 May 88, pp 2-7

[Commentator's Article]

[Text] As compared with previous centuries, a major characteristic of China's history in the 20th century is the spread of Marxism, which has profoundly influenced and will continue to influence China's historical process. There were two great leaps in the combination of Marxism with China's practice. The first leap occurred in the period of the new democratic revolution; and the second leap occurred after the 3d Plenary Session of the 11th CPC Central Committee. The two great leaps were both brought about by and accompanied by a mental emancipation movement. If we say that the mental emancipation movement represented by the "May 4th Movement" marked the beginning of the first great leap in the combination of Marxism with our country's practice, then the mental emancipation movement represented by the discussion on "practice being the sole criterion for testing truth" in 1978 marked the beginning of the second great leap in the combination of Marxism with our country's practice. Now we can more and more clearly see the important historical significance of the discussion on the truth criterion in the process of the combination of Marxism with China's practice.

Today, the discussion on "practice being the sole criterion for testing truth" has passed for 10 years. The best way to commemorate it is to further advance the mental emancipation movement started by this discussion so as to further emancipate people's minds and emancipate the productive forces under the guidance of the spirit of the 13th Party Congress.

I

On 11 May 1978, GUANGMING RIBAO published a special commentator's article entitled "Practice Is the Sole Criterion for Testing Truth," whose full text was dispatched by the XINHUA NEWS AGENCY on the same day. On 12 May, RENMIN RIBAO and JIEFANGJUN BAO reprinted this article. Then, it was reprinted by newspapers in most provinces, autonomous regions, and municipalities. What is the criterion for truth? Should the criterion be practice, or the "supreme instructions," or political power? A debate over this issue were then unfolded throughout the country on a large scale. The huge impact and the intensity of this debate went far beyond people's expectations. As we all know, this debate ended with the full victory of the truth of Marxism in the theoretical, ideological, and political fields.

The philosophical proposition which was the epitome of mankind's civilization and wisdom built up in the past thousands of years and which represented a simple and common truth led to a debate which evoked strong repercussions in society and attracted strong interest among the people, thus becoming the prelude to a new movement of mental emancipation. This was an event that was rarely seen in history. The happening of such an event was never accidental. Its inevitability existed deeply in our country's history since socialism was established in China, and existed deeply in the process of the changes in the contemporary social and political contradictions in our country.

In the mid-1950s, China entered the initial stage of socialism. The exploiting classes, as a class entity, were eliminated, and the class contradiction was no longer a major social contradiction. However, the supreme leader of our party held that the theory of historical materialism, which was revealed by Marxism as a general law governing the development of human society, was a theory about class struggle; and because the party was always engaged in waging and leading class struggle for a few decades and was used to approaching all social contradictions from the viewpoint of class struggle. In the new historical stage, it was still held that the viewpoint of class and class struggle should be used to "observe and analyze everything" (in fact, even in class society, the viewpoint of class and class struggle can only be used to explain the phenomena of class and class struggle). As a result, social and political contradictions and other contradictions which were not class contradictions were still treated and handled as class contradictions; and the class contradiction which only existed in a certain scope was regarded as the main social contradiction. This theoretical and guideline mistake caused serious and long-standing errors in our practice work. Things developed as Comrade Deng Xiaoping described: "From 1957, our main mistake was 'leftism,' and the 'Cultural Revolution' was a demonstration of ultra-leftism" (quoted from "Comrade Deng Xiaoping's important speech" p 32). When the "leftist" mistakes developed, personality cult and dogmatism also became prevailing, and reached a degree of religious fanaticism during the "Cultural Revolution." The ultra-leftist trend of thought which had been deified and which had become theory shrouded and ruled the thinking of the Chinese people like a huge specter. After the Jiang Qing Counterrevolutionary Clique was crushed, the people strongly demanded that the "Cultural Revolution" and other "leftist" mistakes before it be corrected. But, first of all, they demanded that the reputation of the Tiananmen Square Incident and Comrade Deng Xiaoping be rehabilitated. However, the leader who was then in charge of the work of the central authorities put forward an erroneous idea of "two whatevers" (that is, "we must resolutely maintain whatever policies made by Chairman Mao, and constantly follow whatever instructions issued by Chairman Mao), and tried hard to suppress the people's demand.

Comrade Deng Xiaoping took the lead in criticizing the idea of "two whatevers." He put forward an opposite viewpoint, that is, it is necessary to accurately understand the whole system of Mao Zedong Thought in an overall way. He pointed out that the essence of Mao Zedong Thought found expression in the idea of "seeking truth from facts." This brilliant idea was quickly understood and accepted by the vast number of cadres and ordinary people. The people more and more strongly, urgently, and extensively called for redressing the wrongs, reversing the wrong verdicts, and correcting "leftist" mistakes. However, the then leader who stuck to the idea of "two whatevers" quoted the "supreme instructions" one after another to obstruct and delay the work of redressing the wrongs and correcting "leftism" in various fields. The struggle practice brought people's thinking to a higher level: We cannot merely argue about concrete matters; instead, we must first see whether the "policies" and "instructions" were right or wrong, and must have a clear idea about the criterion for distinguishing the right from the wrong in theory and in the general guideline.

Thus, the discussion on the issue of the criterion for truth was unfolded in the newspapers. The proposition that "practice is the sole criterion for testing truth" was warmly and sincerely supported by the vast number of cadres and the masses as soon as it was put forth. However, it was strongly opposed by those who stuck to the idea of "two whatevers." At the crucial juncture of the struggle between people who adhered to the practice criterion and people who upheld the idea of "two whatevers," Comrade Deng Xiaoping displayed his great courage and made a series of important speeches to give resolute support to the significant discussion on the criterion for truth. Then, the discussion was quickly spread to all parts of the country. The Marxist thesis that "practice is the sole criterion for testing truth" was then gaining irresistible momentum, and thoroughly destroyed the mental shackles of "two whatevers." This greatly emancipated the minds of the whole party and the whole nation.

Comrade Deng Xiaoping pointed out: The appearance of the idea of "two whatevers" was not an accidental and isolated event; instead, it represented a trend of thought. Similarly, the nationwide debate about the criterion for testing truth and the opposition of the idea of "two whatevers," were neither accidental nor isolated. Instead, they represented the inevitability in the development of China's contemporary history and in the development of the social and political contradictions.

In his speech at the central working conference which made preparations for the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping highly valued this discussion which was of great political significance and of far-reaching historical significance. He said:

"Without breaking the ossification of thinking and without greatly emancipating the minds of the cadres and the masses, we will not be able to realize the four modernizations.

"When everything has to be done by the book, when thinking turns rigid and blind faith is the fashion, it is impossible for a party or a nation to make progress. Its life will cease and that party or nation will perish." "In this sense, the debate about the criterion for testing truth is really a debate about ideological line, about politics, and about the future and the destiny of our party and nation." ("Selected Works of Deng Xiaoping" p 133)

Things were indeed so—

This debate made full mental preparations for the realization of the great historical shift at the 3d Plenary Session of the 11th CPC Central Committee and for the reestablishment of the Marxist ideological, political, and organizational lines.

This debate laid a solid ideological foundation for the systematical correction of the guidelines in all fields and the "leftist" mistakes during and before the "Cultural Revolution."

This debate provided a theoretical precondition for reforms, opening up, and the creation of a new situation in socialist modernization after the third plenary session.

This debate set a good example and broke the path for us to break through the long-standing mental shackles of treating Marxism, the theoretical guideline for our guideline, as sacred and rigid dogmas, and to use a scientific attitude to treat Marxism, thus abandoning the old ideas and theories which were not in line with the practice and creating new notions and theories which are in line with the practice.

## II

The discussion on the criteria for judging truth that took place 10 years ago was only the beginning of the great ideological emancipation movement. The 10 years since the discussion have been 10 years of bringing order out of chaos, 10 years of reforming the old and bringing forth the new, 10 years of overall reform and overall construction, and 10 years of constantly emancipating the mind. The emancipation of the mind is a prelude to a social change. Without the emancipation of the mind, the great victory in bringing order out of chaos would have been impossible, nor would have the glorious achievements in overall construction been possible. The emancipation of the mind over the last 10 years has played an immense role in pushing history forward. As summed up by the 13th congress report, in the course of reunderstanding socialism, the party has developed a series of scientific theories and viewpoints concerning philosophy, political economy, and scientific socialism. These are the achievements of emancipating the mind.



Although the course of emancipating the mind over the last 10 years has been full of twists and turns, its general trend is heading forward. Under the ideological guidance of emancipating the mind and seeking truth from facts established by the 3d Plenary Session of the 11th CPC Central Committee, the ideological emancipation movement, portraying the personal interests and strong desires of the people, has fallen into line with the trend of the era, coincided with the general development of history, and continued to move forward, despite frantic worships of some authoritative individuals, despite the serious influence of dogmatism, despite heaps of obstacles from the "left," and despite all sorts of interference. We have made breakthroughs and established new concepts as follows:

—We have broken through the outmoded concept that maintains socialism has only one mode. We have established a new concept that different modes will appear in the course of combination between socialist principles and different national conditions and that we should take our own road in building socialism with Chinese characteristics.

—We have broken through the outmoded concept of making a superadvanced appraisal of historical development. We have established a new concept that China is still in the initial stage of socialism and that we should proceed from this basic national condition in carrying out reforms and construction.

—We have broken through the outmoded concept of taking class struggle as the key link, giving prominence to politics, and regarding ideological differences more serious than everything else. Instead, we have established a new concept that we should develop the productive forces, practice socialist democratic politics, carry out spiritual civilization, and build socialism with emphasis on economic construction.

—We have broken through the outmoded concept under which we regarded the theories and tentative ideas of the founders of Marxism as our program of action and blueprint for construction, strove for the establishment of a single form of socialist ownership by the whole people, and tried to escalate the nature of this ownership; we have established a new concept of taking socialist public ownership as the main body while allowing other ownership forms to coexist with it as necessary and useful supplements.

—We have broken through the outmoded concept of contradicting socialism with commodity economy, planned mechanism with market mechanism. In its place we have established a new concept that the socialist economy is a planned commodity economy under public ownership, that planned mechanism does not contradict

market mechanism, that regulation through state planning is based on the law of value, that the law of value plays a regulatory role under the guidance of state plans, and that the state regulates the market whereas the market guides enterprises.

—We have broken through the outmoded concept of taking democracy only as a means and have established a new concept that democracy is an inseparable part of socialism and that without democracy there can be no socialism.

—We have broken through the outmoded concept of mixing the government with the party and government administration with enterprise management, and have established a new concept of separating the government from the party and government administration from enterprise management.

—We have broken through the outmoded concept of putting the development of socialist society on the basis of "continuing the revolution under proletarian dictatorship" or on the basis of "making continuous revolution under socialist conditions"; we have established a new concept that socialist society is a society advancing in the course of reform, that reform is the basic form and an important force propelling socialist society forward, and that reform is the self-perfection and self-development of socialism.

—We have broken through the outmoded concept of contradicting socialism with humanism and of belittling the value and principal role of man, and have established a new concept that lays emphasis on the necessity to propagate and practice socialist humanism and to give wide publicity to the value and principal role of man.

And so on and so forth.

In the new concepts established here, the most important and significant one is the theory of initial stage of socialism. The vigorous development of a socialist commodity economy is the inevitable result of the theory of initial stage of socialism, while the overall reform, namely, the reform of the economic, political, cultural, education, scientific, and technological structures, is inevitably required by the vigorous development of a socialist commodity economy. We should have a firm grasp of this basic theory which serves as the guidance to our reform and construction.

The elimination of old concepts and establishment of new ones originate from the practice of reform and construction over the past decade and in turn it also serves as the theoretical mainstay and ideological force giving impetus to reform and construction.

Here we have made a preliminary summarization and explanation of the course of emancipation of minds carried out over the past decade, the ideological and

theoretical successes achieved, and their great significance to reform and construction. However, our meditation cannot stop here. We can gain enlightenment for further emancipating our minds in the future from a review of the emancipation of minds carried out over the past 10 years.

Why was the theory of the "great cultural revolution" which dominated people for 10 years promptly abandoned in the discussion of "practice is the sole criterion of truth"? Because this theory completely fell through in practice. Why could the system of contracted responsibility based on households with payment linked to output which ran counter to the traditional pattern of "larger size and a higher degree of public ownership" be quickly popularized in the rural areas? Because practice vividly manifested its immense superiority. Why could a breakthrough be made in the traditional concept which set socialism against a commodity economy and which restricted and puzzled people's thinking for a long time since the international socialist movement? Because practice since the October Revolution of the Soviet Union and the founding of the PRC has proved that unity must and can be reached between socialism and a commodity economy. Why could the idea of overall reform be accepted by the whole party and nation? Because the defects of the old system have been exposed in practice. Why could the broad ranks of cadres and masses understand and master the theory of initial stage of socialism systematically expounded in the report to the 13th Party Congress? Because this theory entirely conforms to the actual situation of China's social history and reality experienced by people in practice. We can draw the following incontestable conclusion from a review of emancipation of minds carried out over the past decade: The criterion of practice is a magic weapon for emancipating our minds. All ideological conventions that restrict people's minds can be eradicated and smashed through the test of practice; and all theories that run counter to practice, irrespective of their authority and no matter how many people supported them, can be corrected and eliminated through the test of practice. Factual logic is better than theoretical logic and practical strength outstrips theoretical strength. Practice has a direct, realistic character as well as a universal character. Marx said: "All mysteries which lead theory to mysticism find their rational solution in human practice and in the comprehension of this practice" ("Selected Works of Marx and Engels," Vol 1, p 18). The ideological establishment of the criterion and authority of practice among the broad ranks of cadres and masses has opened up broad prospects for emancipation of minds.

### III

Comrade Deng Xiaoping pointed out that the 13th Party Congress has further emancipated the minds of the party and the people and will further emancipate the productive forces.

The 13th Party Congress summed up the theoretical and practical successes of emancipation of minds since the 3d Plenary Session of the 11th CPC Central Committee and systematically set forth and expounded the theory of initial stage of socialism. This theory correctly defined the current position of China's socialist movement, set forth the realistic starting point for our socialist construction and reform, theoretically proved the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee, flatly pointed out that China can only follow this policy rather than any other one, provided the criterion for preventing and avoiding "leftist" and rightist deviations, particularly the "leftist" deviation, and laid down the new theoretical basis for seeking unity of ideological understanding within and outside the party. This theory constitutes the basic summary of the achievements of emancipation of minds carried out since the 3d Plenary Session of the 11th CPC Central Committee as well as the new starting point for us to further emancipate our minds. As pointed out in an editorial of a foreign newspaper issued just after the 13th Party Congress, the theory of initial stage of socialism has "provided people with a brand new, wide field of vision."

Ideological emancipation consists of different contents at different historical stages. Fundamentally speaking, the ideological emancipation we are talking about now refers to the emancipation from the super-period ideological pattern and the emancipation from the super-realistic beautiful illusions. This means that we should return to earth from heaven, return to the realistic basis that our country is still at initial stage of socialism, and return to realistic situation of the productive forces in this historical period. This is the fundamental change in the starting point of our theory and practice. We must take productive forces as the basic starting point in observing and solving questions. Therefore, all the things which hinder the development of the productive forces should be negated, eliminated, and replaced whereas all the things which push forward with the development of the productive forces should be affirmed, perfected, and popularized. Thus, our ideological emancipation touches upon a lot of aspects. And we need to smash a lot of ideological trammels in the course of our ideological emancipation. At present, the most important thing is that we should free ourselves from the ideological concept which ignores the actual situation of our country's productive forces and regards the abstract socialist principles as the criterion for judging the advantages and disadvantages of our structure and for judging the success or failure of our reform.

Since the 3d Plenary Session of the 11th CPC Central Committee, we have further pushed forward with the reform step by step. The reform has also greatly promoted the development of the productive forces. However, whenever a new reform measure is put forward, experimented on, or popularized, there are always some ideological and theoretical differences and disputes

among us. The implementation of the system of contracted responsibility on the household basis with remuneration linked to output, the emergence of individual economy and private economy, the establishment of the Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and enterprises with exclusive foreign investment, the experiment on and popularization of the practice of separating the ownership from the management right in the state-run enterprises, the opening up of the markets for the means of production, technology, information, funds, labor services, real estate, and so on, the introduction of the mechanism of competition, the practice of formulating our economic plans on the basis of the commodity economy and the law of value, the separation of the functions of the party from those of the government, and so on have all caused disputes on whether the above mentioned reform measures are socialist in nature or capitalist in nature and have all caused disputes on the question concerning the "orientation" and the "road" [The socialist or capitalist orientation, and the socialist or capitalist road]. However, if we carefully analyze these disputes, we can easily find that those comrades, who have doubts or hold negative views towards the above mentioned reform measures, always try to compare these reform measures with the abstract socialist principles in their own minds to see whether or not these reform measures can conform with those abstract socialist principles which were formed under certain historical conditions. When thinking about questions, these comrades do not try to see whether these reform measures have pushed forward with the economic prosperity and the production development (This is because the good results of these reform measures are obvious to all and are undeniable). Those abstract principles in their minds do not originate from their own doctrinal understanding of the scientific socialism, but originate from something which has been wilfully added to the nature and attribute of socialism. Therefore, these abstract principles have strong utopian coloring and utopian components. Thus, to draw a clear line of demarcation between the scientific socialism and the utopian socialism is necessary and conducive to our further ideological emancipation.

The socialist theory founded by Marx and Engels is different from utopian socialism. The socialist theory founded by Marx and Engels is a scientific theory. The reason we say that the socialist theory founded by Marx and Engels is scientific is because, fundamentally speaking, the socialist theory founded by Marx and Engels does not proceed from morality, ideals, good wishes, the concept of equality, and eternal reason, and does not regard socialism as the "public" kingdom which is not based on the realistic situation of the productive forces. On the contrary, the socialist theory founded by Marx and Engels bases the emergence of socialism, the evolution of socialism from one stage to a higher stage, and the development of socialism into communism entirely on the development of the social productive forces. The fundamental difference between the scientific socialism

and the utopian socialism is whether the social productive forces are regarded as the basic starting point in theory and practice or not. If it is true that the founder of Marxism found historical materialism (together with the theory of surplus value) and turned socialism from a utopian theory into a science after discovering, in the complex organism of the entire human society, that the productive forces are the most decisive force in the society, then we can say that to ignore the importance of productive forces will certainly turn socialism from a science into a utopian theory.

Just as in the theory of knowledge Marxism attaches primary importance to practice, in the conception of history Marxism also places the productive forces in the first place. Marx pointed out: The productive forces are the basis and starting point of history (see "Complete Works of Marx and Engels," Vol. 46, book 2, p 361). Fundamentally speaking, historical materialism is the historical monism of the social material productive forces. Lenin pointed out: "Regarding the world and humanity materially, Marx and Engels perceived that just as material causes underlie all natural phenomena, so the development of human society is conditioned by the development of material forces, the productive forces" ("Selected Works of Lenin," Vol. 1, p 88). Lenin held that the conditions of productive forces are the principal criterion of social development as a whole (see "Complete Works of Lenin, Vol. 32, p 224). By placing the criterion of the productive forces in the first place the report to the 13th Party Congress has brilliantly upheld the Marxist fundamental viewpoint and further deepened and stimulated an ideological emancipation movement with the discussion on the criterion of truth as the beginning. Contrary to historical idealism, which takes as its criterion abstract socialist principles deviating from the conditions of the productive forces, the report to the 13th Party Congress emphatically pointed out: Helping to expand the productive forces should become the point of departure in our consideration of all problems and the basic criterion for judging all our work should be whether it serves that end. Why is it so? This is because our ability to make China prosperous and strong, to make the people rich, to make education, science, and culture flourish, to consolidate and expand public ownership and the state power of people democracy—in a word, our ability to take full advantage of the superiority of socialism and to steadily enhance its appeal—hinges, in the final analysis, on the growth of the productive forces. In upholding socialism, the first and fundamental thing to do is to devote ourselves to the growth of the productive forces. We must extricate ourselves from the rigid concept of chattering about abstract socialist principles in deviation of the productive forces.

We have expounded above the main contents of the current emancipation of the mind. Here it is also necessary to point out the political environment and social conditions needed for the emancipation of the mind. Comrade Deng Xiaoping pointed out: "Democracy is an



important condition for the emancipation of the mind" ("Selected Works of Deng Xiaoping, p 134). Just as beautiful flowers in nature can only bloom in a suitable climate, spiritual flowers can only be in full bloom in an environment of ideological freedom. Heinrich Heine said: The German classical philosophy represents "an important flower of world significance bursting from ideological freedom" (Heinrich Heine: "On the History of German Religions and Philosophies," p 42). In truth, all theoretical achievements have been attained in this way. The liveliness of a social idea, the launching of contention, and the prosperity of a theory cannot depart from an environment of ideological freedom.

Today's world is characterized by a rapidly growing revolution in technology, increasing intense market competition, and a volatile political situation. The labor productivity of our country is only several percent of that of the developed countries and our GNP lags behind many other countries in the world on a per capita basis. Many developing countries have overtaken us in economic development. We are faced with formidable and pressing challenges. We must rouse ourselves, quicken our pace, and do all we can to catch up. However, reform, opening up, and building socialism with Chinese characteristics are an arduous, pioneering undertaking of innovation. New conditions, new things, and new issues are emerging one after another. Many unknown fields are yet to wait for our bold explorations. The new era and the new tasks demand that we should open up our fields of vision, create new concepts, and enter a new realm. However, a dogmatic understanding of Marxism and the wilfully-attached principles often perplex us, the concepts which have developed on the basis of natural economy and rigid structure and which are not suited to the development of the planned commodity economy tightly shackle us, the negative factors in the feudal traditional culture over the past several thousand years tightly fetter us, the "leftist" and right tendencies, especially the "leftist" tendencies formed over the years, frequently obstruct us, and various one-sidedness and limitations often lead us astray. The 2d Plenary Session of the 12th CPC Central Committee called on the whole party to further emancipate the mind, pointing out clearly the key to opening up the way to continued advance in our reform and construction and carrying forward the fundamental spirit of the 13th Party Congress. Comrade Zhao Ziyang pointed out: Since the 3d Plenary Session of the 11th CPC Central Committee, "ideological emancipation has brought the liberation of the productive forces. In the future, further liberation of the productive forces will still depend on further emancipation of the mind." Under the guidance of the basic line laid down by the 13th Party Congress, let us lead to a higher stage the ideological emancipation movement with the discussion on the criterion of truth as the beginning, push forward reform and opening up, and stimulate the greater and better growth of the productive forces.

**The Price Situation and the Current Price Work**  
*HK0306152088 Beijing HONGQI [RED FLAG] in*  
*Chinese No. 9, 1 May 88 pp 8-12*

[Article by Cheng Zhiping (2052 5268 1627): "The Price Situation and the Current Price Work"]

[Text]

I

The national retail price index in 1987 rose too much. According to State Statistical Bureau figures, prices rose by an average of 7.3 percent over 1986. Of this rise, 1 percent was caused by the state price adjustment, and the remainder was the rise in market prices. Prices in cities rose 9.1 percent; and in the countryside 6.3 percent.

The substantial increase in food prices constituted the main part of the price rise. In 1987, the retail prices of various foods rose by 10.1 percent over the previous year, and this drove up the general retail price index by 4.7 percent. This means that two-thirds of the 7.3 percent price index rise was caused by the rise in food prices. Food prices in 29 large- and medium-sized cities rose by an even larger margin. In December 1987, the price of fresh vegetables rose by 44.6 percent and the price of pork rose by 17.2 percent as compared with the same period of the previous year.

The substantial price rise on the markets has affected the livelihood of the public, especially the urban residents, to a certain degree. In 1987, the per capita income of the peasants increased by 9.2 percent over the previous year, but the real increase was only 5.3 percent after the retail price rise factor had been deducted; the per capita income of urban residents increased by 10.6 percent, but the real increase was only 1.7 percent after deduction of the price rise factor. However, the income of urban residents was uneven and the distribution of the income was not very rational. Statistics showed that the real income of 21 percent of urban households declined to varying degrees because of price rises. These households are mainly government office personnel, teachers, and retired people who have no other income sources, as well as workers in some enterprises and institutions which did not issue bonuses or issued very little bonus. Therefore, price rises have attracted attention from various social quarters, and have become a major problem requiring proper measures for solution along with the development of production.

II

Price rises in our country have been caused by two major factors. First, some enterprises and business operators took advantage of the short supply of some commodities to raise the prices of the goods they handled at will or in disguised forms without regard to the price policies and regulations laid down by the state authorities. Problems in this respect should be solved through strengthening

macroeconomic control and tightening market and price management. The second factor is a main factor. That is, prices are adjusted in light of the requirements of the law of value so as to increase the production of farm products and some industrial products in short supply and to improve the conditions of market supply. This is also necessary for the overall economic structural reform. To clarify this issue, we need to briefly review the condition of the price reform in the past few years.

The long-standing problem in our country's price system was mainly the low prices for agricultural and sideline products and elementary industrial products. In addition, price parities between many commodities were also unreasonable. This seriously hindered the development of the national economy. The masses felt deeply that in the past, goods were not sold at a price corresponding to their quality. As a result, good-quality products were in short supply, but poor-quality products were stockpiled. For a long time, the purchase prices of grain and other major farm products remained at a very low level, and this impeded the development of agricultural production. In the industrial production structure, the prices of elementary products (including energy and some raw materials) were too low and the prices of processed products were relatively high. Thus this stimulated the excessive development of processing industries. In view of these problems, the state and the masses, the producers and the consumers, all agreed that the price structure must be reformed. The price reform in our country thus began under such historical conditions and in light of such social requirements. In the 9 years since the 3d Plenary Session of the 11th CPC Central Committee, under the correct leadership of the party central organs and the State Council, our country has made substantial advances in the reform of the pricing system and the price management system.

First, the price structure has been greatly changed. The general level of the purchase prices of farm products was raised considerably. In 1987, the farm product purchase price level was raised by 99 percent over that in 1978. The purchase price of grain was raised by 140 percent; the prices of cotton and oil-bearing crops were raised by 62 percent; the prices of tobacco and sugar-bearing crops were raised respectively by 33 percent and 65 percent. The rise in farm product purchase prices was much larger than the rise margin of the retail prices of industrial goods in the countryside. The per capita net income of the peasants increased from 134 yuan in 1978 to 463 yuan in 1987, an increase of 250 percent. With the factor of the rise in the retail prices of industrial goods in the countryside, the real income rise was 180 percent. In the past 9 years, huge changes have occurred in agriculture mainly because the countryside adopted the system of the output contract responsibility system, under which relations of production are suited to the development of productive forces. In the meantime, the state pricing policy for farm products also played a major role. In the field of industry, the price reform has also promoted and coordinated production development. As compared with

things in 1978, in 1987, the price of mineral products rose by 77 percent; the price of raw materials rose by 55 percent; and the price of processing industrial goods rose by 21 percent. The profit rates on capital in light industry and in heavy industry are quite similar. The unevenness of burdens and benefits in various industries has been changed somewhat. This is favorable to the production of energy and raw materials which are in short supply. The state has taken various measures to properly control the retail prices of industrial and agricultural products on the markets in light of the bearing capacity of the public. Between 1978 and 1987, the national retail price index rose by 45.7 percent (that is, rose by an average annual rate of 4.3 percent), and this growth rate was lower than the growth rate of the workers' monetary wages in the same period, which was 140 percent; and also lower than the growth rate of the per capita income of the peasants, which was 250 percent. In these 9 years, after the deduction of the price rise factor, workers' real average wages increased by 4.7 percent each year; and the per capita income of peasants increased by 12.1 percent each year. They were much higher than the average annual growth rate of 0.4 percent of the workers' wages and the average annual growth rate of 3.3 percent of the peasants' per capita income between 1953 and 1978. The people generally said: "Although prices were higher, our livelihood has indeed been improved."

Major changes have also occurred in the price management system. To meet the needs in opening up to the outside world and enlivening the domestic economy, we have gradually decontrolled the prices of many commodities, and this has effectively promoted the development of the socialist commodity economy. The prices of all small commodities have been completely decontrolled, and the charges of most repair services have also been regulated by the market. This increased employment in society, and made the people's daily lives more convenient. These changes were in line with the spirit of the 13th party congress, which said that the state only controls the prices of a small number of major goods and services, while allowing the prices of most goods and commodities to be regulated by the market force.

The above-mentioned conditions show that since the 3d Plenary Session of the 11th CPC Central Committee, the policies of the party central leadership and the State Council on price reforms were correct.

There were some problems in the concrete arrangements of price reforms. The price issue is related to production, distribution, exchange, and consumption; and price changes are related to the redistribution of the national income. When goods are in short supply, producers will demand a price rise, but consumers will demand price stability. This will be the focus of social contradictions. We sometimes did not fully realize this complicated characteristic of the price reform and did not properly employ the law of value. So we must seriously sum up both positive and negative experience and effectively improve our work.



### III

In the course of price reform, the adjustment of the unreasonable price system will unavoidably cause a certain degree of price rise. However, the rather big price rise in the last 3 years, especially in 1987, was related to some abnormal factors. In this period, too much currency was issued; there was too much capital construction; and the consumption fund and the institutional purchases increased too quickly. This caused gross social demand to exceed gross supply. In addition, some state-owned and collective enterprises, especially those which held a monopoly position, raised the prices of their products directly or in a disguised form without authorization. Because the markets and prices were not strictly managed, some speculators also took advantage of loopholes in market management to profiteer and thus disturbed the market order. At the same time, some commodities, especially some foodstuffs, were in short supply.

Food prices rose sharply mainly because we did not properly use the law of value and adopt comprehensive measures to guide agricultural production and facilitate commodity circulation when the rural commodity economy was developing. From 1985 to 1987, food prices in cities and towns throughout the country rose by 39.9 percent. In particular, the price of fresh vegetables rose by 63.5 percent; and the price of meat, poultry, and eggs rose by 57.1 percent. This problem caused the deepest concern among the masses. Here, we will discuss in detail the main reasons for the rise in the prices of meat and vegetables and the measures we are going to adopt.

As for pork, the main problem was that after the live pig purchase and marketing system was reformed and the pork price was decontrolled, the new system was not soundly built and could not suit the periodic changes in live pig production, and we failed to adopt various new measures to support production, enliven circulation, and regulate consumption. In 1986, because grain output in the previous year decreased, the grain price rose by a larger margin than that of pig prices, and this adversely affected the interests of the peasants who raised pigs. On the other hand, an increasing number of live pigs were sold as a result of the stimulation of the pork price rise in the previous year, some local commercial departments did not actively purchase the pigs for fear of causing losses because too many pigs were kept in stock. So the peasants were not only affected by the rise in the feed price, but were also facing difficulty in selling pigs. The state department concerned repeatedly required local commercial institutions to more actively purchase pigs from peasants at the protection price, increase the stock of pigs, and increase the sale of pigs by providing more financial subsidies. However, we did not set up a special fund to support the state commercial institutions in maintaining the protection price for purchasing live pigs, and the supply of feed at the fixed official price was not guaranteed. This dampened the peasants' enthusiasm for raising pigs. In 1987, pig production decreased, while

demand for pork continued to increase. This strained supply and drove up the pork price. Many cities restored the old system of rationing pork. The State Council immediately adopted urgent measures to prevent rush purchases and irregular price rises by organizing transfers from one area to another and by providing more financial subsidies. Tens of millions of tons of feed was supplied at the fixed official price to develop pig production in major producing areas. Local governments at various levels also adopted many necessary measures. Now, these measures have achieved initial results, and the number of live pigs in stock in the main producing areas has risen again. It is expected that the supply of pork will be improved in the fourth quarter of this year. From the changes in the production and supply of live pigs, we know that we must continue to attach importance to the production of live pigs and treat this as a major industry. We should consciously employ the law of value and use economic means to maintain a reasonable price parity between grain and pigs. We should help pig-raising peasants operate on an economical scale and build live pig production bases. We should support the state commercial institutions in playing a guiding role. Long-term purchase contracts should be signed between producing areas and marketing areas and between state commercial institutions and peasants. This will give confidence to the peasants who plan to raise pigs. Only by adopting these comprehensive measures can we ensure the steady development of live pig production and improve the supply of meat on markets. The main reason for the rise in vegetable prices in cities is that the urban population in recent years increased quickly and this sharply increased the consumption of vegetables, but the authorities concerned did not pay sufficient attention to vegetable production. Large areas of old vegetable gardens were used to build houses, but new vegetable fields did not yield well and the economic returns were poor. Peasants in inner suburbs found that their income from planting vegetables was not satisfactory, so they reduced the production of vegetables, but vegetable production bases were not properly built in outer suburbs to guarantee a certain area of vegetable fields. In addition, vegetables were not effectively transported from one area to another; market management was not efficient enough; the guiding role of state commerce became weaker; the agricultural production materials were in short supply and were sold at higher prices; and the weather conditions in some areas last year were unfavorable. To settle this problem, the State Council has instructed mayors of all cities to take charge of vegetable production. The supply of vegetables will be a major criterion for assessing their administrative performances. It is first necessary to promote vegetable production, guarantee the adequate area of land for planting vegetables, and supply the necessary production materials for the peasants. Large and medium-sized cities should conduct planned management over the production and supply of major vegetables, and the production plans should be based on the principle of making the output slightly larger than the demand. The retail prices of major vegetables should be kept stable. In order to

prevent staggering price rises when new crops are ripe for harvest and the old ones are all consumed or when natural disasters occur, the state authorities have reserved millions of tons of soybean to meet the urgent needs on the market. It is necessary to strengthen market management and check the illegal and irregular means of giving short measure, raising prices at will, and monopolizing the market.

In order to stabilize the production and supply of major non-staple foodstuffs, the whole nation should gradually set up risk funds for purchasing agricultural and sideline products. Suburban areas of large and medium-sized cities should effectively adopt such measures as "using incomes from industry to subsidize vegetable and sideline production." The experience of Guangdong Province and other localities should be spread, and funds can be raised through various channels so that the fund system for stabilizing the non-staple food prices can be set up in large and medium-sized cities. The local governments control such funds and use them to stabilize non-staple food prices. This is a good method that enables us to use the local funds to serve the same localities and use the money from price rises to stabilize prices.

#### IV

Our price work in 1988 should resolutely implement the basic policy of further stabilizing the economy, further deepening the reform, and using reform to coordinate the general situation. In particular, we must correctly handle the relationship between reform and stability. Both reform and stability serve the purpose of developing the social productive forces. Reform needs a relatively stable economic environment and a relatively stable price level; otherwise, it is hard for reform to make progress. In the meantime, stability can only be realized through reform, and only in-depth reform can create the necessary conditions for maintaining economic stability. In 1988, we will use the law of value to stabilize the economy and will also use the law of value to promote economic development. We will adopt comprehensive measures to control the rise of the general price level and to resolutely check the irregular practice of raising prices, and will also continue to deepen the reform of the price structure and the price management system. We will take steps to adjust the unreasonable prices which hinder production development in light of the state plans in an orderly way. Our price reform will positively support and promote the implementation of the contracted management responsibility system in enterprises, the development of the outwardly oriented economy in coastal areas, and the reform of the foreign trade system and the housing system; will be favorable to the rationalization of the production structure and the product structure; and will promote the sustained, steady, and well-coordinated development of the national economy. At present, the most prominent problem is the rise of food prices, and this has caused the strongest discontent among the people. The fundamental way to solve the food problem

is to increase production and facilitate the circulation of goods. We cannot return to the old practice of state monopoly on purchasing and marketing all products, and must seek a new road. The key is to act according to the law of value. We need to work out a basic policy for the food prices. In the future, it is expected that the purchase prices for foodstuffs will continue to rise so as to stimulate production development and increase market supply. The State Council has laid down some principled stipulations on giving appropriate subsidies to urban workers in light of the growth rate of the retail prices of major foodstuffs. Such arrangements are based on the following three points: First, this measure is suited to the upward tendency of the purchase prices for agricultural products, and will thus create necessary conditions for further price reform. Second, a large part of daily living expenses of urban residents in our country are payments for foodstuffs, so the issuance of subsidies to workers in light of the growth rate of main foodstuff prices will help stabilize the livelihood of the masses and will guarantee the livelihood of some low-income households. Third, farm land in our country is insufficient as compared with the large population, so the people's consumption of meat cannot increase too much in the long run, so the state only gives subsidies for a certain quantity of foodstuffs, and this will help regulate the consumption.

To implement the measure of giving workers appropriate subsidies in light of the growth rate of the retail prices of major foodstuffs, we will pursue the following basic principles: in the trial implementation of the subsidy measure throughout the country, subsidies will just be given for four kinds of foodstuffs: pork (or beef and mutton in the areas inhabited by those nationalities who do not eat pork), major vegetables, fresh eggs, and sugar. The prices of food grain and edible oil will remain unchanged and they will be supplied to urban residents on rations as before. The financial losses of the commercial department can be made up for with financial appropriations. In principle, localities can maintain the existing supply quotas for the above-mentioned four kinds of foodstuffs, and subsidies can be issued according to these supply quotas. Localities which did not lay down supply quotas for these foodstuffs can now fix appropriate quotas. The subsidy measure is now only implemented in large and medium-sized cities, with appropriate subsidies being given to workers in light of the different conditions in price rises. The subsidies are issued to cadres, workers, and their family members by their work units. The subsidies are also issued to retired personnel according to the same standards as for the personnel in active service. The food expenses for PLA troops and armed police troops should be raised correspondingly; and appropriate subsidies should also be given to university and secondary school students. According to these basic principles, provincial, autonomous regional, and municipal governments can give concrete guidance and adopt special measures in light of their local conditions to implement the subsidy measure. They should properly explain this to the masses, and

coordinate the work of all departments concerned. Price management departments at various levels should always keep abreast of the price conditions and changes, strengthen their guidance and supervision. They should immediately check the irregular practice of raising prices at will in violation of the relevant regulations and punish the people concerned according to the law without delay.

After the price rise subsidy measure is put into practice, the state authorities must continue to strictly control the general price level. The state fixed prices and state guidance prices should be strictly maintained. The state authorities should also make necessary intervention to regulate the prices of some important commodities in short supply. The relevant State Council department has laid down guidance prices for some important agricultural products, such as live pigs, tea leaves, roundpod jute, timber produced by some collective tree farms in southern China, and some rare medicinal herbs. For some goods, the state authorities have laid down a purchase price ceiling and the low limits of the protection price. In order to establish and develop an orderly market for production materials, the state will formulate a price ceiling for major production materials group after group. This year, the state has announced the price ceiling for the first group of commodities, including crude oil, petrol, gasoline, diesel oil, ingot aluminium, and 23 types of steel products. Some large cities have also required enterprises to submit applications for raising the prices of major consumer goods so as to more effectively exercise price control. In recent years, some individual traders and some state-owned and collective enterprises, especially those holding a monopoly position, often raise prices at will or in a disguised form. Governments and price control departments at various levels have done a great deal of work to check the irregular practice of raising prices unreasonably or in a disguised form. Last year, the authorities concerned discovered more than 600,000 cases of violating the price control regulations, and a total of more than 800 million yuan in fines was imposed. This figure was twice as large as that in 1986. The phenomena of raising prices unreasonably or in a disguised form have been restrained to a certain degree, but the state of affairs is still far from meeting the requirements of the state and the masses.

This year, our price supervision work should continue to follow the "PRC Price Management Regulations." Institutions and individuals that violate the price control regulations must be strictly penalized. Disciplinary or legal action should be taken against those who are involved in serious cases. It is necessary to intensify the examination and supervision of the prices of vegetables,

meat, eggs, and other major non-staple foodstuffs, industrial goods in great demand and in short supply, and some seasonal commodities which have close relations with people's daily lives. Before the spring plowing begins in the countryside, we should organize an all-round examination of the prices of such major agricultural production materials as fertilizer, diesel oil, and agricultural plastic film in all links from production to marketing so as to maintain the general stability of the prices of the major agricultural production materials. According to the State Council instruction, regular examinations of the prices of major industrial production materials will also be conducted in all parts of the country. All localities must strictly abide by the price ceiling fixed for the major production materials without exception. At the same time, it is also necessary to further mobilize the masses to conduct social price supervision and enterprise internal price supervision. At present, there are more than 10,000 worker price supervision stations (or groups) in the whole country, and there are more than 94,000 part-time price supervisors in various enterprises and institutions. In addition, there are more than 30,000 volunteer price supervisors in the urban neighborhoods. They perform their duties in the streets, factories, and shops. Henceforth, the government price control departments should join hands with trade unions in establishing and developing more worker price supervision teams, and continue to advance the mass price supervision activities. In accordance with the "Interim Regulations on Neighborhood Mass Price Supervision," we should try to set up price supervision stations in every street of all large and medium-sized cities within this year so as to build up powerful and effective mass price supervision networks.

In short, to stabilize the economy, we must first make efforts to maintain the basic stability of prices. This is a common task for all localities, departments, and trades. The State Council has decided to appropriately tighten financial appropriations and credit this year, control money supply, and strictly check the excess growth in the capital investment and in the consumption fund, resolutely reduce the institutional purchase power, continue to carry out the movement of "increasing production and income and practicing thrift by cutting down expenditures," and further mitigate the contradiction between gross social demand and gross social supply. These fundamental measures for maintaining the basic stability of the general price level must be seriously implemented by the whole nation from top to bottom with one heart and one mind and in full cooperation, and this should be linked with the implementation of the spirit of the First Session of the Seventh NPC and with the efforts to promote the sustained, steady, and well-coordinated development of the national economy.



### Does China's Expenditure on Education Exceed the Average Level of Such Expenditure of Countries With a Similar Degree of Economic Development?

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[Article by He Zuoxiu [0149 4373 1652] and Mao Junqiang [5374 0193 1730]]

[Text]

#### I. Why Should We Discuss This Question?

Education plays a decisive role in the development of the national economy, while whether education is developed or not depends on the investment of educational funds. However, there have appeared extremely divergent views on the comparative question of our country's educational expenditure versus the average level of such expenditure of countries around the world with similar levels of economic development. Comrade Yu Xinyan [0151 1800 6056] holds that, "Our country's educational expenditure is above the average level of educational expenditure of countries with a similar level of economic development." (Footnote 1) (Yu Xinyan, "Trends in International Educational Expenditure") Comrade Chen Liangkun [7115 5328 3540] and others believe that in recent years the level of our country's investment in education "has been a little lower than the international level." (Footnote 2) (Chen Liangkun, et al., "An International Comparison of the Proportions Educational Expenditure Constitutes in Gross National Product" in JOURNAL OF TERTIARY EDUCATION, No 1, 1986) Comrade Shang Zhi [1424 1807] feels that the percentage which educational investment constitutes is "a matter which cannot be neglected." (Footnote 3) (Shang Zhi, "A Preliminary Exploration Into the Question of Investment in Education" in JOURNAL OF TERTIARY EDUCATION, No 1, 1986) Ouyang Zhonghui [2962 7122 6988 6540] holds that our country's educational expenditure as a proportion of GNP "not only cannot compare with the proportions of educational expenditure in GNP of developing countries at the same level, but is even lower than the proportions of those developing countries at the next lowest level." (Footnote 4) (Ouyang Zhonghui, "Education and Economic Development" in KEJI DAOBAO, No 3, 1987) Further, some people say that our country's educational expenditure as a proportion of GNP is the second lowest in the world (the lowest being Haiti). It is puzzling to have so many different replies being given to the same question. As this question has a bearing on the strategic decisionmaking in our country's social and economic development, it is necessary to discuss it further.

#### II. What Is the Average Level of Education Expenditure as a Proportion of GNP?

The development of education is subject to the restrictions of social and economic conditions. An objective indicator of a country's degree of social and economic

development is the level of per capita GNP. An objective indicator of the amount of funds invested in education is the percentage educational expenditure constitutes in GNP. In the "Statistical Yearbook" published by UNESCO, there are data provided for all the countries of the world in respect of the funds expended on public education as a percentage of GNP. (Footnote 5) (UNESCO, "Statistical Yearbook," 1984) Also, in the "International Financial Statistics Yearbook" published by the International Monetary Fund there are data provided on the levels of per capita GNP. (Footnote 6) (International Monetary Fund, "International Financial Statistics Yearbook," 1982) Many of the scholars take these "data" as the point of departure in their research.

If we do a preliminary examination of the above-mentioned figures, we can see that investment in education certainly has a close relationship with the level of a country's economic development. In general, in countries where the per capita GNP approaches \$300, the annual expenditure on education as a proportion of GNP is 3.3 percent. At the \$300-\$500 level, the figure is 4.2 percent; at the \$500-\$1,000 level, the figure is 4.4 percent; at the \$1,000-\$2,000 level and the \$2,000-\$5,000 level the figure is 4.5 percent; while at the \$5,000 level and above, the figure is 5.8 percent. (Footnote 6) (UNESCO, "Statistical Yearbook," 1984) (Footnote 6) (International Monetary Fund, "International Financial Statistics Yearbook," 1982) (Footnote 7) (Ouyang Zhonghui, "Education and Economic Development" in KEJI DAOBAO, No 3, 1987)

In the last few years, Comrades Chen Liangkun, Jia Zhiyong [6328 1807 3057] and Zhang Zheng [4545 6927] have used the figures provided in the above-mentioned yearbooks to carry out quite detailed statistical research. They point out that if we use the figures issued by the World Bank which note that in the 3 years of 1980, 1981, and 1982, our country's per capita GNP (including tertiary industry) ranged between \$290 and \$310. The appropriate "world average level" for these figures are as shown in Table 1. (Footnote 8) (Chen Liangkun, et al., "An International Comparison of the Proportions Educational Expenditure Constitutes in Gross National Product" in JOURNAL OF TERTIARY EDUCATION, No 1, 1986)

Table 1

Year (t)	1980	1981	1982
Xt (U.S. \$)	290	300	310
Yt (percent)	3.26	3.29	3.31

In this table, Xt is per capita GNP, while Yt is the proportion expenditure on education constitutes in GNP. That is to say, over the period 1980-1982 for countries where per capita GNP was \$300, the "average international level" of educational funds investment was

3.3 percent. On this point, it seems that those who are engaged in debate do not differ. We also believe that this is a rational index for use in comparisons.

However, what give rise to differences are the two issues of how to estimate China's educational expenditure and how to estimate China's per capita GNP. Let us now carry out a separate examination of these two questions.

### III. How Do We Calculate Our Country's Expenditure on Education?

The estimation of China's educational expenditure is a very complex problem. In 1986, in the "Statistical Yearbook of China" edited by the State Statistical Bureau, some figures on China's investment in education were published. (Footnote 9) (State Statistical Bureau, "Statistical Yearbook of China," 1986) In looking at the question of our country's expenditure on education, clearly we should take these officially published figures as our point of departure (unless there is some evidence

to show that these figures are unreliable). The "Statistical Yearbook of China" published the following tables of the "four types" of expenditure on education:

1. Investment in Education (also called total expenditure on education). This refers to the total of human, material and financial power, expressed in money terms, invested in educational departments or directly in schools by the state, government departments, economic units, the various forces of society and by individuals. However, as the State Statistical Bureau only keeps statistics on the budgeted educational expenditure, and there are no precise statistics for the expenditure by enterprises, individuals and various social forces in educational undertakings, which is outside the budget, often it happens that only estimates can be made. Table 2 shows the volume of investment in education as estimated by the State Statistical Bureau on the basis of the final accounts of the state financial departments, final accounts of enterprises' finances and materials from relevant departments (the asterisks indicate that the figures refer only to budgeted expenditure). (Footnote 10) (State Statistical Bureau, "Statistical Yearbook of China," 1986)

Table 2 (Unit: 100 million yuan)

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Investment in education			11.04*	19.25*	19.97*	19.00*	26.55*	27.99*	25.58*	37.61	50.47	36.62
Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Investment in education	30.88	32.67	38.29	39.51	41.83	36.95*	27.50*	27.04*	27.56*	35.28	45.89	51.57
Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Investment in education	61.76	66.14	72.52	76.91	93.80	111.45	136.38	146.23	161.43	180.46		

2. Budgeted Expenditure on Education. This refers to the funds within the financial budgets of the state and of the government departments at various levels which are actually used for education operational expenses. It includes educational operating expenditure, expenditure on education-related capital construction, the expenditure on middle-level technical schools from the operating

expenses of the various departments and commissions as well as other expenditure by educational departments and so on. In accordance with the figures published by the State Statistical Bureau (Footnote 11) (State Statistical Bureau, "Statistical Yearbook of China," 1986) the budgeted expenditure on education over the years is presented in Table 3.

Table 3 (Unit: 100 million yuan)

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Budgeted expenditure on education			11.04	19.25	19.97	19.00	26.55	27.99	25.58	33.38	46.35	32.97
Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Budgeted expenditure on education	27.56	29.65	34.81	35.84	40.54	36.95	27.50	27.04	27.56	33.69	39.38	43.45
Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Budgeted expenditure on education	51.01	53.18	57.45	59.99	75.80	91.58	110.85	120.12	133.67	151.31		

3. Education Operational Expenditure. This refers to the funds in the state's central financial budget directly allocated to education departments. It includes the staff expenses for all types of schools at all levels and public-use funds expended in maintaining the normal operation

of schools. According to the State Statistical Bureau's figures (Footnote 12) (State Statistical Bureau, "Statistical Yearbook of China," 1986), our country's education operational expenses over the years have been as shown in Table 4



Table 4 (Unit: 100 million yuan)

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Education operational expenditure	3.76	7.42	8.95	12.80	13.77	14.08	16.47	19.52	19.83	24.09	31.78	26.78
Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Education operational expenditure	24.07	24.91	27.80	29.12	34.43	32.68	27.50	27.04	27.56	33.00	38.54	42.07
Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Education operational expenditure	45.98	48.26	50.49	53.04	65.60	76.96	94.18	102.48	115.68	127.85		

4. Educational Expenditure Outside the Budget. As the name suggests, this refers to the investment, outside the state budget, put into education by the various forces of society. It includes, for example, educational expenditure by factories and mining enterprises, the funds raised by locally funded schools and so on. As it is difficult to calculate the educational funds outside the budget, we

can only use the estimates made by the State Statistical Bureau based on relevant materials. The situation over the years is given in Table 5. (Footnote 13) (State Statistical Bureau, "Statistical Yearbook of China," 1986) As materials are not complete for some years, figures are omitted.

Table 5 (Unit: 100 million yuan)

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Educational funds outside budget										4.23	4.12	3.65
Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Educational funds outside budget	3.32	3.02	3.48	3.67	1.29					1.59	6.51	8.12
Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Educational funds outside budget	10.75	12.96	15.07	16.92	18.00	19.87	25.51	26.11	27.76	29.15		

From the above analysis, attentive readers will have discovered that actual investment in education = budgeted expenditure on education + education expenditure outside the budget.

The various above-noted indicators separately reflect, from different angles, our country's educational expenditure situation. If we are to carry out a comparison with the international level, at first glance it seems that all we have to do is take the figures in Table 2 and divide them into the corresponding GNP figures to find a percentage. However, this is very wrong! According to the norms of statistics, in carrying out comparisons, there is a need for a unified statistical yardstick. That is, there is a need to select an appropriate yardstick for comparison. In order to carry out comparisons, we need to examine how the public expenditure on education as detailed in the UNESCO "Statistical Yearbook" is defined and what it embraces. According to the explanation contained in the UNESCO "Statistical Yearbook" (Footnote 14) (UNESCO, "Statistical Yearbook," 1984), "public expenditure on education," except where otherwise noted, only includes the educational expenditure by the various levels of government departments formed in accordance with the state Constitution. That means, the expenditure on education by central or federal governments, state governments and provincial, regional and local organs of power. It does not include investment in

education by private individuals or enterprises, or educational grants or aid from outside the country. Public expenditure on education includes two parts: 1) Current public expenditure on education, which refers to expenditure on the day-to-day management of schools, salaries of teaching staff, books, educational tools, scholarships, welfare benefits, building repairs and so on. This is mainly day-to-day expenditure used in maintaining schools. 2) Public investment in education-related capital construction. This refers to expenditure incurred in the purchase of real estate, educational facilities, on erecting school buildings and for credit servicing. This is mainly used for satisfying the capital construction needs of schools. Investment in education-related capital construction also includes in part, funds expended by the various levels of government in subsidizing private schools. On the basis of what was noted above and the previous discussion about the various indicators, we believe that if we are to carry out a comparison with the international level, we will only be talking in the same terms as the UNESCO statistics if we use the figures for budgeted expenditure on education. This is because, according to the previously noted definition, the budgeted expenditure on education is the funds expended on education by the various levels of government. It includes operating expenses (that is, the staff expenses and communal expenditure for all types of schools at all levels), education-related capital construction investment (that is, the funds expended in building schools and

purchasing large-scale educational facilities), the expenditure on all technical middle schools by the various departments, as well as other expenditure by educational departments. (Footnote 15) (Shang Zhi, "A Preliminary

Exploration Into the Question of Investment in Education" in JOURNAL OF TERTIARY EDUCATION, No 1, 1986) Also, the items it embraces are basically the same as those embraced by "public expenditure on education." See Table 6.

Table 6

Current public expenditure on education	Public expenditure on education		Budgeted expenditure on education		
	Public investment in education-related capital construction	Education operational expenditure	Education-related capital construction	Technical middle schools	Other
Day-to-day management expenses	Purchase of real estate and buildings	Staff expenses	Building of schools	Expenditure by various departments on technical middle schools	Expenditures by education departments
Salaries of teaching staff	Purchase of educational facilities	Communal expenses	Purchase of educational facilities		
Purchase of books	Erecting school buildings				
Educational tools	Credit servicing				
Scholarships					
Welfare benefits					
Repairs to buildings					

From Table 6, we can see that if we only use the education operational expenses classification, it would not include investment in education-related capital construction, nor the operating expenditure of various departments for technical schools. This is clearly not right. In the same way, we cannot use the figure for investment in education. This is because investment in education includes educational expenditure outside the budget, while the definition of "public expenditure on education" precludes the inclusion of such expenditure. Thus, the most rational choice is to use the figure for budgeted expenditure on education in carrying out comparisons with the international level.

There may be some comrades who do not agree with this idea. They argue that the educational expenditure outside the budget includes the expenditure on locally funded, publicly assisted primary and middle schools, as well as some of the funds used by masses' production organizations when, with government assistance, they build school buildings, purchase facilities and pay teachers, and they claim that part of this expenditure is government expenditure. In fact, in regard to locally funded, publicly assisted schools, the expenditure provided in state public assistance from the county level up is already calculated in budgeted educational funds. These already budgeted funds include the allocated wages for teachers at locally funded schools, partial remuneration for teachers at locally funded schools, partial communal expenditure of the schools, capital construction expenditure and so on. Of course, there are some amounts which are allocated by township governments as investment in locally funded, publicly assisted

schools and which are not included in the budget. However, such expenditure is always very small and is of a temporary funding-assistance nature. The funds for locally funded schools are generally met by the masses themselves. The funds are either raised by mass organizations or raised with enterprise support (including support by state-run enterprises). However, the support by state-run enterprises is like the situation abroad whereby there is investment in education by state-run or private enterprises, which is not included in the statistics for public expenditure on education. Actually, similar situations to the above exist abroad, whereby there are a large number of private schools, but the funds raised to run these private schools are not included in state investment in education. The proportion of this part is much greater abroad than that constituted by education funds raised by the masses or by enterprises in our country. For example, in the United States in 1980, investment in education totaled \$166.2 billion. Of this, 74 percent was allocated by the different levels of government, while 26 percent was provided by private groups. (Footnote 16) (Shang Zhi, "A Preliminary Exploration Into the Question of Investment in Education" in JOURNAL OF TERTIARY EDUCATION, No 1, 1986) However, in the UNESCO "Statistical Yearbook" in no case is this portion of expenditure included. Thus, we clearly should not include this in public expenditure on education. Including it would preclude proper comparison.

Further, one of the main aims of comparing the proportion which educational expenditure constitutes in GNP with the average international level is to see whether

government expenditure on education is rational or not. Thus, seen from this angle, we should select budgeted expenditure on education as a yardstick for comparison. Of course, it would be another matter if our aim was to study the degree of support for education by the various forces in society.

#### IV. How Are We To Calculate Our Country's GNP?

What in fact is our country's GNP? This can of course only be determined from statistical data. However, the problem is, prior to 1985, our country's "Statistical Yearbook" only had a figure for total social product and none for GNP. "Total social product" refers to the total of the gross output value of material production sectors expressed in money terms. In this there are many duplicate calculations and thus the numerical value is quite high. The "GNP" however is a monetary expression of

the total volume of final products produced and labor services provided in a country within a fixed period. It is the sum of the increased value of all sectors of society. Thus, it is a completely different concept to total social product (see the explanation provided in "Statistical Yearbook of China" for 1986).

In passing, the mistake made by those who claimed that "the proportion of GNP constituted by our country's expenditure on education is the second lowest in the world" was that they confused these two indicators. They were comparing our country's expenditure on education with total social product and the figure they used for expenditure on education was actually the figure for education operational expenditure, which does not include the investment in education-related capital construction. See Table 7. (Footnote 17) (State Statistical Bureau, "Statistical Yearbook of China," 1986)

Table 7 (Unit: 100 million yuan)

Year	1952	1957	1965	1978	1980	1981	1982	1983
Total social product	1015	1606	2695	6846	8531	9071	9963	11125
Education operational expenditure as a percentage of total social product	0.88	1.22	1.08	0.95	1.10	1.13	1.16	1.25

According to the data provided in the UNESCO "Statistical Yearbook" for 1983, in 1981, the country with the lowest figure for expenditure on education as a percentage of GNP was Haiti with 1.1 percent. The figure these people gave for our country in 1981 was 1.13 percent and they thus said that our country ranked second lowest. However, this comparison is clearly wrong and the two types of figures cannot be compared with each other.

How then are we to calculate our country's GNP? Fortunately in the "Statistical Yearbook of China" there are officially published figures for national income over the years. "National income" refers to the total of net output value of the five material production sector comprising manufacturing industry, agriculture, construction, transport and communications, commerce and the food and beverage industry. It does not include however, the value created by nonmaterial production sectors. Further, according to figures published by the State Statistical Bureau which we have obtained, in 1984 our country's GNP was 664.3 billion yuan (Footnote 18) (State Statistical Bureau, "What Is Meant by GNP? Why

Is It Less Than the Gross Value of Industrial and Agricultural Output?" in RENMIN RIBAO, 25 September 1985) In 1985, GNP was 788 billion yuan (Footnote 19) (State Statistical Bureau, "Statistical Yearbook of China," 1986) Thus, if we divide these figures by the appropriate national income in those years, we get:

$$1984: \text{national income/GNP} = 5630/6443 = 0.848$$

$$1985: \text{national income/GNP} = 6822/7880 = 0.866$$

Chen Liangkun and the others, in their estimation of the ratio between the two based on relevant data (Footnote 20) (Chen Liangkun, et al., "An International Comparison of the Proportions Educational Expenditure Constitutes in Gross National Product" in JOURNAL OF TERTIARY EDUCATION, No 1, 1986), came up with figures of 0.80 and 0.85. Here, based on the 1984 and 1985 figures, it can be considered that a figure of 0.85 is quite suitable. Thus we can, on the basis of the figures for national income over the years published by the State Statistical Bureau (Footnote 21) (State Statistical Bureau, "Statistical Yearbook of China," 1986), estimate our country's GNP for those years. See Table 8.

Table 8 (Unit: 100 million yuan)

Year	National income	GNP	Year	National income	GNP	Year	National income	GNP
1950	426	501.18	1962	924	1087.06	1974	2348	2762.35
1951	497	584.71	1963	1000	1176.48	1975	2503	2944.71
1952	589	692.94	1964	1166	1371.75	1976	2427	2855.29
1953	709	834.12	1965	1387	1631.77	1977	2644	3110.59
1954	748	880	1966	1586	1865.88	1978	3010	3541.18
1955	788	927.06	1967	1487	1749.41	1979	3350	3941.18

Table 8 (Unit: 100 million yuan)

Year	National income	GNP	Year	National income	GNP	Year	National income	GNP
1956	882	1037.65	1968	1415	1664.71	1980	3688	4338.82
1957	908	1068.24	1969	1617	1902.35	1981	3940	4635.29
1958	1118	1315.29	1970	1926	2308.24	1982	4261	5012.94
1959	1222	1437.65	1971	2077	2443.53	1983	4730	5564.71
1960	1220	1435.29	1972	2136	2512.94	1984	5630	
1961	996	1171.77	1973	2318	2727.06	1985	6822	

Are such estimates accurate? In 1987, the State Statistical Bureau announced that the GNP for 1986 was 938 billion yuan and noted that it was a growth of 1.7 times over the 1978 figure (see "The Four Doublings Achieved in Our Economy in 9 Years of Reform and Opening Up" in RENMIN RIBAO, 28 August 1987). Thus, it is quite easy to calculate that the GNP for 1978 was 347.4 billion yuan. This is quite close to the 345.1 billion yuan we calculated, with the difference between the figures being

less than 2 percent. Thus, we feel that the above estimated values are basically in accord with actual figures.

#### V. Our Country's Public Expenditure on Education as a Proportion of GNP and a Comparison of This Figure With the Average International Level

We have done a comparison of our country's budgeted expenditure on education (that is, public expenditure on education) over the years and the estimated GNP figures. The results are shown in Table 9.

Table 9

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Percentage of GNP constituted by budgeted expenditure on education			1.59	2.31	2.27	2.05	2.56	2.62	1.95	2.32	3.23	2.81
Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Percentage of GNP constituted by budgeted expenditure on education	2.54	2.52	2.54	2.20	2.17	2.12	1.65	1.42	1.19	1.38	1.57	1.59
Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Percentage of GNP constituted by budgeted expenditure on education	1.85	1.81	2.01	1.93	2.14	2.32	2.56	2.59	2.67	2.72		

From Table 9 we can see that over the last 30 years, our country's expenditure on education as a percentage of GNP has hovered around 2 percent. Apart from a single year (1960 with 3.23 percent) it has never broken through the 3 percent limit. After the 3d Plenary Session of the 11th CPC Central Committee, the situation improved, more importance was paid to education and this was reflected in the steady growth in investment in education. However, this has been of a "repayment" nature as during the 10 years of chaos, the proportion of our country's investment in education was less than 2 percent. This resulted in great amounts having to be paid later.

However, here we want to carry out a comparison between our country's expenditure on education and the international average level. Thus, we can take the figures

in Table 9 for the period from 1980 to 1982 and compare them with the international average levels noted in Table 1. This is shown in Table 10.

Table 10

Year	1980	1981	1982
International level	3.26	3.29	3.31
China's percentage	2.56	2.59	2.67

From this we can see that the level of our country's investment in education over the last few years was far below the average level of 3.3 percent for countries with a similar degree of economic development, with a shortfall of about 0.7 percent.



**VI. An Appraisal of the Comparisons Carried Out By Different Estimators Using Different Calculations and the Reasons for the Divergences Produced**

In Table 11, the details of the calculations by the different authors are given. (These include the calculations made by Ouyang Zhonghui in his article "Education and Economic Development" carried in KEJI DAobao, No 3, 1987.)

From Table 11, we can see that some of the estimated figures are more than twice other estimates. Where then lies the cause of such differences? One of the reasons is the source of the figures. For example, in their article, when Chen Liangkun and the others made estimates of expenditure on education, they used some figures which

had not been officially published (that is, had not been verified) at that time. These figures were all greater than the figures which have now been officially published by the State Statistical Bureau. Thus, the results of their calculations are also greater than the results we obtained. Further, another important difference is that Chen Liangkun and the others included some (50 percent) of extra-budgetary expenditure in their calculations of "public expenditure on education." However, as this article has pointed out above, this extra-budgetary expenditure should not be included in figures for comparison with the average international level. In fact, the method of estimation we have used here is the method used by Comrade Chen Liangkun and so on, but we have used the quite accurate figures published by the State Statistical Bureau, which exclude extra-budgetary components.

**Table 11**

Year	1980	1981	1982	1983	1984	1985
Proportional figures/Estimator						
Chen Liangkun and others	2.64	2.69	2.81			
Yu Xinyan			3.47			3.7
Ouyang Zhonghui				1.71	1.67	1.63
The authors of this article	2.56	2.59	2.67	2.72		
International average level	3.26	3.29	3.31			

The reason the proportion determined by Ouyang Zhonghui for 1983 is too small is that first, the figure he used for expenditure on education was only the figure for education operational expenditure which does not include education-related capital construction expenditure on education. For example, the figure he gave for 1983 expenditure on education was 12.603 billion yuan (Footnote 22) (Ouyang Zhonghui, "Education and Economic Development" in KEJI DAobao, No 3, 1987), whereas the actual amount (education operational expenditure) was 12.785 billion yuan. Second, his estimate of the GNP was too high. For example, he gave 735.183 billion yuan as the 1983 GNP and the 1984 figure as 797.379 billion yuan (Footnote 23) (Ouyang Zhonghui, "Education and Economic Development" in KEJI DAobao, No 3, 1987). These were both much greater than the actual figures which were published. Thus, the proportions he arrived at were much smaller than the true figures.

However, the greatest divergences in the estimates by the various scholars is in those made by Comrade Yu Xinyan. He holds that the proportion constituted by our country's expenditure on education in 1982 was 3.47 percent of GNP and that in 1985 it had risen to 3.7 percent. (Footnote 24) (Yu Xinyan, "Trends in International Educational Expenditure") Thus, he comes to the conclusion that our country's expenditure on education is already above the average level for countries of a similar degree of economic development. He claims that his calculations are based on State Statistical Bureau materials. However, we have found it very difficult to

verify his data. If we take overall investment in education (including both budgeted and extra-budgetary expenditure) and divide it into GNP, we get the figures shown in Table 12.

**Table 12**

Year	1980	1981	1982
Investment in education as percentage of GNP	3.14	3.16	3.22

However, even calculated in this way, the results are still less than the average international level. The figures we are using here for investment in education are those published by the State Statistical Bureau and in his article he repeatedly notes that his materials are from the State Statistical Bureau. Thus, it appears that the problem lies in the estimation of GNP. On the basis of the proportions he gives, we can find out the figure he used for the 1982 GNP by the following calculation:

$$\text{GNP} = \text{investment in education/proportional figure} = 161.43/0.0347 = 465.216 \text{ billion yuan}$$

The national income for the period was 426.1 billion yuan (Footnote 25) (State Statistical Bureau, "Statistical Yearbook of China," 1986). Thus:

$$\text{National income/GNP} = 0.92$$



This perplexes us, because we know that the term national income refers to the new value created by workers in material production sectors over a certain period. It differs from GNP in that it does not include the value created by nonmaterial production sectors. According to estimates by relevant departments, the output value of our country's tertiary industry constitutes about 20 percent of GNP (see "Why Should We Go All Out in Developing Tertiary Industry?" in RENMIN RIBAO, 15 December 1984) In accordance with the previous calculations, we might take nonmaterial sectors' output as 15 percent, which would mean that national income would only constitute about 85 percent of GNP. This is a difference of 7 percent with the figures he provides above. According to Comrade Yu Xinyan's figures, the output value of nonmaterial production sectors only constitutes 8 percent of the total. From this, we can see that the GNP figures used by Comrade Yu Xinyan are open to doubt.

Further, we know that GNP in 1985 was 788 billion yuan. According to the proportions provided by Yu Xinyan, investment in education constituted 3.7 percent of this, which amounts to 29.156 billion yuan. The State Statistical Bureau figure for investment in education in 1983 (including both budgeted and extra-budgetary expenditure) was 18.046 billion yuan. This would have meant a 61.57 percent increase from 1983 to 1985, an average annual increase of 27.11 percent. Although our country's expenditure on education did grow in these few years, the growth did not reach figures as high as this! Finally, it must be stressed that Yu Xinyan used total social investment in education to make a comparison with the foreign "public expenditure on education." This method is not rigorous as the two types of figures cannot be compared.

## VII. Conclusion

To sum up, all the figures show that our country's expenditure on education is not higher than the average level of countries with a similar degree of economic development and is in fact lower. And lower by quite a bit. Some people say that our country's expenditure on education is higher than the average level of countries of a similar degree of economic development, but this is not so. If our country's expenditure on education is to reach the average level of countries with a similar degree of economic development, there is a need to increase investment by a considerable amount. If we take 0.5 percent of the 1985 GNP as a figure for calculation, we will need to increase it by 3.94 billion yuan. However, whether or not achieving the average level of countries with a similar degree of economic development means that we will have achieved a rational proportion of expenditure for our country's educational development, is a question which needs further study. We will discuss this question in a future article.

## Attributing the Success to the Coordinated Development of Education and the Economy—The Road to Building Town and Township Industries in Jinjiabao Village, Ba County

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[Article by Zheng Hongjie [6774 7703 2638] and Han Qinglin [7281 3237 2651]]

[Text] Jinjiabao village, Ba County, is located along the banks of the Da Qing River. It has a population of 6,000. Since 1978, it has placed education in an important place in the course of developing their economy. Over the past 9 years, they have selected and sent 126 people to various large specialized institutes and schools and state-run enterprises to make advanced studies; they have organized 8 medium-level specialized and middle-grade technical classes and trained up 224 persons of medium-grade technology and management caliber; they have established 2 specialized classes of collegiate level, and enabled 107 persons to receive higher education; they have also accorded training to staff members and workers, making 80 percent of 2,920 workers receive varying degrees of training and fostering; and now 1,453 members of the labor force are of a cultural level of primary school and middle school, or roughly 50 percent of the entire labor force. Over the past 9 years, their investments in education amounted to 538,000 yuan (not including the educational expenses expended by the enterprises themselves) and by so doing brought along all-round prosperity in economy and enabled this piece of well-known low-lying land to proceed on the road to well-being. In 1987, the gross industrial output value of the entire village amounted to 33.6 million yuan, and the average whole-people labor productivity rate exceeded 10,000 yuan; its net income was over 9 million yuan and the per capita net income approached 1,500 yuan; the output value of industrial subsidiary trades rose to 88 percent of the gross industrial and agricultural output value; the relative weight of the agricultural labor force dropped to below 7 percent. Jinjiabao village has thus stepped on a road of developing town and township industries through reliance on fostering education.

## Period of Mainly Developing Agriculture

From 1978 to 1982, Jinjiabao readjusted its agricultural structure, increased the relative weight of economic crops, developed the fruits, reeds and forest trades, established service stations for agriculture such as seeds stations, hydroelectric power stations and supply depots of materials for agriculture, and at the same time built small-scale plastic plants, toy factories, paper mills and garments factories. By 1982, although gross grain output still stayed at 4.2 million jin, the output value increased from 1.3 million yuan to 1.5 million yuan; including yields from the orchards, reed fields and forestry the output value of industrial sideline trades increased from 13.95 million yuan to 15.65 million yuan

or about 50 percent of the gross output value of industry and agriculture. At that time, the great proportion of the labor force was still engaged in farming.

At this stage, the demand for talents was still not strong enough and education obviously remained at a passive state. The contents of education were principally those of ordinary farming technique and industrial technology of a sundry nature; as for the education type, it was mainly adult education of the father teaching son type and teacher bringing up pupil type. In culture and education, the main object was the elimination of illiteracy. This was a low-level contact point between education and the economy and also the starting point from a low level to a high level of the search for talents. At the time, household by household contracting was in force and the problem of eating to the fill and dressing warmly was settled. The net income of the village amounted to 1.821 million yuan and the per capita income was 300 yuan. But a large amount of surplus labor force and surplus labor time still appeared. It was thought to further develop industry and the subsidiary trades, but talents were lacking.

#### **At the Rising Era of Town and Township Industries**

In the 4 years from 1983 to 1986, the scales of the original industries and subsidiary trades were steadily expanded. Certain new industries were at the same time instituted, these including such trades as making simulated ancient pottery, mechanical processing, electronic color-printing, electroplating, and so forth. The number of village-run industries grew from 8 to 17, the size of the fixed assets rose from over 4 million yuan to over 8 million yuan, or roughly being doubled. The output value of the industries went up from 1.565 million yuan in 1982 to 19.928 million yuan in 1986, an increase of nearly 1200 percent; net income likewise rose from 1.821 million yuan to 7.275 million yuan, an increase of 300 percent; per capita net income amounted to around 1,200 yuan. The problem of surplus labor force was solved and the village happily crossed over to a life of being fairly well-off.

The essence of this development process consisted of the transfer of labor force and change in occupation. In the course of realizing this transfer, education played a bridging role, or rather was a necessary measure. Their methodology was "running a school before opening a factory and training people before starting work." Before starting operation, all the factories must first train up personnel. At the time of starting the toy factory in 1983, the Beijing No 3 Toy Factory was entrusted to train up 20 technicians on the 5 technical procedures of plastic blowing, tailoring, color drawing, dressing and packing, and paint-spraying. When establishing the simulated ancient pottery plant in 1984, seven staff members and workers were dispatched to Huaiyu County near Beijing to learn various art crafts and techniques including filling blanks, color drawing, baking and so forth. In

addition, several old technicians were invited from Jingdezhen of Jiangxi Province to train the workers. Subsequently, 10 more training classes were run, with over 420 workers in training, and the staff members and workers were doing part-time production work and part-time studying, being workers and students at the same time. In fact, here great attention was paid to culture and education as the foundation of professional technological education. All the industries and enterprises operated cultural supplementary or continuation classes of the primary school and middle school grades and the staff members and workers, while learning technology, were at the same time acquiring basic cultural knowledge. This was the secret of the village in realizing the transfer of labor force and changes in occupation.

In comparison with the earlier stage, this time the joining together of education and the economy was on a higher level, manifesting the dynamic role of economic development depending on education and education falling in line with economic development. The source of talented people came from those fostered by themselves and from boldly making use of local-born and locally brought up capable persons. Entrepreneurs were the first objects to be subjected to education. They were the middlemen in realizing this change and were the organizers of the various production elements as well as those in demand of technicians. Precisely because Jinjiabao village had at the time a group of up-to-standard peasant entrepreneurs that such a change could come to be realized. On the educational side, the requirement was to foster and train up primary-grade management personnel and technicians who could assume their posts and put the plant in operation. As for the type and category of education, it was adult education with primary-grade professional technological education as the center and posing new demands on the basic education. It was precisely due to the development of adult primary-grade professional and technical education that town and township industries managed to grow and prosper.

#### **Stage of the Development and Improvement of Town and Township Industries**

This stage began in 1986 and was developed and extended in 1987. In this stage, town and township industries faced severe tests. First, market competition was aggravated as competition in the pesticide trade had become most serious and the large enterprises allied with them all had fallen into a state of depression. Second, the cost of production rose. Such factors as rise in the prices of raw materials, wage increase for the workers, increased social burden, the taxation privileges originally offered at time of inception no longer being available, and so forth, forced the industries to renovate their equipment, lower their cost of production, improve the quality of their products and increase their benefits.

Seeking development in the course of competition, the industries newly installed advanced large-model plastics injection equipment, turned to the production of the

outside crusts of TV sets produced by TV set manufacturing plants in Beijing and Tianjin, and thus greatly increased their competitive power as well as improving their organic structure. The industries also collaborated with Tianjin's foreign trade enterprises, transformed the plant making simulated ancient pottery into a base for making simulated ancient potteries, improved the quality of the products, and had all the products designated for export abroad. Similarly in the case of garment making, production transformation was undertaken in accordance with changes in market demand, processing work was done for plants engaging in the same trade in Tianjin and Hebei, and succeeded in gaining public "confidence" in the quality of the majority of the products resulting in the products being generally exempted from the inspection procedure. Over the past 2 years, the fixed assets of the industries rose from over 7 million yuan in 1985 to over 12 million yuan while the output value of the industries and subsidiary trades grew from 13.875 million yuan to 29.60 million yuan, that is, more than doubled.

The development and raising of the standard of the town and township industries posed a new demand on education and culminated in the combination and coordination between education and the economy at an even higher level. In 1986, a 1-year term enterprise management major specialized course was jointly organized with the industrial management department of Tianjin University. Aside from taking in 21 senior middle school graduates, the course was mainly intended to give advanced training to some 40 principal management cadres. At the same time, two medium-grade specialized classes on fine arts were jointly organized with the Tianjin Academy of Fine Arts, this for the purposes of enhancing the competitive power of the simulated ancient pottery products. A medium-grade specialized course on finance and accounting and one on enterprise management were organized, separately giving training to senior high school graduates and enterprise cadres. In addition, classes on vehicle pinners and electrical machines were organized for the training of primary middle school graduates. In 1987, an agreement was continued with the electrical machines department of Tianjin University to run a 3-year specialized course on electrical machines, with enrollment open to the public and in all 43 students were selected for enrollment.

In this stage, the demand in economic development on education proved to be even more urgent and for the part of education an unprecedented dynamic role was displayed. In the categories of specialties, attention was paid first to the fostering and training of entrepreneurs and management talents while training of technicians was next. In respect of the educational grades, a start was made on middle-grade specialized education while in individual cases specialized higher education was attempted and the period of education was correspondingly extended. As for the educational types, a change was made from centering mainly in adult education to accepting and enrolling primary and senior middle

school graduates. At this time, the labor force in the village itself was found to be insufficient and over 150 labor force units had to be employed from the outside. Meanwhile, development of the economy posed a strong and urgent demand for strengthening professional technical education and basic education. In line with the above-mentioned changes, in the main the teaching staff was shifted from originally the technical staff of state-run industries to formal teachers of institutions of higher learning and the organizers were shifted from the industries and enterprises to the village itself. In short, education in this stage was aimed at preparing talented personnel for the further development of industry and agriculture.

#### **Entry Into the Era of Coordinated Development of Industry and Agriculture**

Simultaneously with the development and advance of town and township industries, agriculture likewise needed further development. At this time, young and strong labor force had mostly become workers in industrial plants and farming was relegated to being a "subsidiary trade," and the labor force specially serving agriculture had been reduced to below 7 percent of the whole labor force, there being only some 200 farmers and their average age was over 50. People's activism in farming was downward, input in agriculture was reduced, water conservancy work in the fields was in disorder and mechanization in farming developed very slowly. Whereas in 1978 the gross grain output had been 6.372 million jin, thereafter it hovered in the neighborhood of 4 to 5 million jin, although in 1986 there was a slight recovery, being 5.64 million jin.

The main cause for this situation was that income from farming had become lower than income from the industries. Jinjiabao village had an aggregate area of cultivated land of about 10,000 mu, averaging less than 1.7 mu per capita. The output value per mu was only 207 yuan and net income was only 100 yuan.

How then should agriculture be developed? Jinjiabao village planned to put aside half mu of grain-ration field per person, totaling 3,000 mu and to leave the remaining 7,000 mu to individual and collective double-level contracted farming, taking an appropriate dimensional operation road. The collective would take charge of the larger type of farming operations including tilling and sowing, watering, harvesting and so forth while the individuals would attend to field management work. For this purpose, the village spent 3 years on discussion and preparation work. Now the understanding of the cadres and the populace has become unanimous while the land liquidation and planning work has in general been completed and it is planned that the project will be put in operation after the autumn harvest this year. By that time, the agricultural labor force will be increased to



about 250 farmers, the per capita farming land will be 30 mu, and the annual income will amount to about 3,000 yuan. Thus, people's enthusiasm for farming will be aroused anew.

Through fostering education, Jinjiabao village has made certain preparations in cultivating personnel for dimensional operations in agriculture. It has successively organized several training classes on fruit trees management: It invited the Tianjin Yang Liuqing Teachers College on agricultural arts to help run a training class on large-plot vegetable planting; and also invited teachers from the Beijing Agricultural College to help organize and run training classes on farm technology, mainly centering in preservation and management of large-field crops. All this prepared the ground for dimensional operations on land. With the economy reaching this stage of development more and full-scale demands were posed on education. A 9-year voluntary educational program was planned to be implemented soon. At the moment, free primary school education is already in progress while free primary middle school education is also being planned.

Jinjiabao's experiences have shown that the unified development of education and the economy is a road that must be taken in our country's rural industrialization.

These experiences have also told us that the demand for talents in rural industrialization and educational development follows a law of development which calls for proceeding from a low level to a higher level, developing industry and agriculture in coordination, first training up ordinary technicians for agriculture, following up with fostering and training of entrepreneurs, industrial technical personnel and talented persons for large-scale agriculture, making adult education take the lead in occupational and technical education.

**Tao Zhu and Intellectuals—Thoughts on Reading 'Collected Works of Tao Zhu'**  
40050279e Beijing HONGQI [RED FLAG] in Chinese  
No 9, 1 May 88 pp 25-27

[Article by Wang Lanxi [3769 5695 6007]]

[Text] The book "Collected Works of Tao Zhu" has recently left the press. On reading it, I was deeply impressed by the excellence of many of the articles therein. It also made me recollect many things of the past. The smooth style of his writing and the rich stores of his knowledge fully showed that Comrade Tao Zhu was a highly gifted and exceedingly broad-minded leadership person of our party.

Reading the articles in the "Collected Works," particularly those regarding the problem of intellectual elements, made me feel doubly fascinated and affected. Consciously executing the party's policy toward the

intellectuals was really Comrade Tao Zhu's one outstanding and special feature. Be it at a time when he was busily engaged in warfare tactics or during a period of socialist construction, he was all the time occupied with implementing the party's policy toward the intellectual elements. In this respect the reason why I was deeply affected was because I personally had been at the scene and an eyewitness thereof.

At the liberation war period and following the victories of the Liaoning and Shenyang battles, I went to China proper and took part in the work of the cultural and educational affairs take-over department of the Tianjin Military Control Commission. Soon afterwards, I was transferred to be the chief secretary of the political department of the 4th Field Army Corps. At that time, Tao Zhu was the assistant chief of the 4th Army Corps' political department. When I reported for duty at the political department, Comrade Tao Zhu was the one who received me and my credentials.

At the time the war situation developed very rapidly. On its march southward, our army made a good showing at the Wuhan battle. Comrade Tao Zhu talked to me and asked me to be ready to go to Wuhan to take part in the Military Control Commission, there to take charge of the cultural and educational take-over work. He strongly emphasized the importance of this kind of work. Cultural and educational take-over work was mainly concerned with making friends with the intellectual elements and performing well the job in connection with the intellectual elements. He said to me that we must keep in mind the importance of the intellectual elements to the revolutionary enterprise and that without the intellectual elements' participation, the revolution could not be a success, there would be no way to carry out construction from now on and communism would be only empty talk. He criticized the erroneous trend in the party to elbow out and reject the intellectual elements.

To perform well the work of taking over the cities and towns, he full-heartedly devoted himself to organizing in the Beijing and Tianjin region a "southward working group." This group was mainly intended to absorb into it a large number of intellectual elements. At the time, in the two cities of Beijing and Tianjin a large number of professors, specialists and scholars noted in the cultural and educational circles as well as many students were absorbed into it. In addition, from the revolutionary army corps a number of cadres who had been intellectual elements before were absorbed into the groups such as Du Xingyuan [2629 2502 1997], Xu Maoyong [1776 2021 1661], Liao Jingdan [1675 0064 0030], Liu Baiyu [0491 4101 5038], Yang Geng [2799 6342], Hua Shan [5478 1472] Li Xinqing [2621 1800 3237], Chan Fangmei [7115 5435 3561], Zhu Yiwei [2612 0001 5517], and Wang Lanxi [3769 5695 6007]. Within a short time the "Southward Working Group" was expanded to include over 1,000 people. Four subgroups were organized.

Following formation of the "Southward Working Group," Comrade Tao Zhu organized its members for short-term training, principally helping these intellectual elements to establish a revolutionary outlook on life, to gain a clear knowledge of the development of the revolutionary situation, to learn the party's guidelines and policies, to carry out revolutionary discipline and education and so forth. The revolutionary character and disciplinary character of the intellectual elements were thus strengthened and elevated. Subsequently, they followed the army southward and on arriving at such places as Kaifeng, Jigongshan, Wuhan and others were assigned to various places to work. They were thus distributed to various places to propagate the cause of the revolution, to give talks on policies and discipline and, like the army cadres, their enthusiasm was heightened; they suffered hardships but worked hard and played an enormous role in greeting the war victories, greeting liberation, and performing the take-over work in the cities and towns. Following training, many of the intellectual elements were promoted, some joining the Youth League and some joining the party. Some of them were elevated to the position of cadres and some became department heads in the 4th Field Corps' political department. It may be said that organizing the "Southward Working Group" was an illustrious example of Comrade Tao Zhu's successfully implementing the party's policy toward the intellectual elements and absorbing the elements into participation in the work of the revolution.

At midday on 14 April 1949, we arrived at Wuhan. When entering the city the war flames had not yet completely subsided. Comrade Tao Zhu was then appointed as the vice commissar of the Wuhan City Military Control Commission. His principal job consisted of guiding the solution of problems concerning communications between city and countryside, stabilizing commodity prices, restoring the economic order and also life order in the city. At the time the KMT reactionary elements claimed that we lacked the capability to guide city work and were hoping that we could not get settled down in the city. However, we already had the experiences of taking over city work in Beiping and Tianjin and with a matured revolutionist, Comrade Tao Zhu, taking over the helm of the city, our taking over work at Wuhan proceeded smoothly. At Wuhan, in compliance with Comrade Tao Zhu's wishes, we similarly paid important regard to performing well cultural and educational work as well as the work vis-a-vis the intelligentsia. Because we absorbed a large number of the intellectuals to participate in the work, those people who had been at first hesitant and dubious soon removed their worries and suspicions. On the side of news publication, over 20 newspapers and magazines in Wuhan resumed their publication as usual. Very soon they adhered to the CPC's propaganda caliber to carry out their work, created public opinion for the revolution and rebuked the reactionary views of the KMT reactionary elements. Among the educational circles, at the time when we first entered Wuhan city, certain of the university and middle school teachers did entertain certain

doubts, but when they saw how quickly we had restored order in the schools and highly regarded the role of the teaching profession their doubts and suspicions were soon swept away. By the end of July that year, Wuhan, this large city in the middle part of the fatherland, had quickly and fully restored normal life order and the people had acquired an ease of mind. These were facts to slash the KMT reactionary elements' slander and insults against us.

At the end of 1951, Comrade Tao Zhu was transferred to the post of fourth secretary of the CPC Central Committee's South China Subbureau and to the concurrent post of second political commissar of the PLA's South China Military Region. Subsequently, he became secretary of the Guangdong Provincial CPC Committee and governor of Guangdong Province. In 1960, he was the first secretary of the CPC South China Subbureau. Up to June 1966 when he was transferred to work in the CPC Central Committee, all along he had been assigned to work in Guangzhou municipality. During this period, concurrently with heading work on all sides in Guangdong Province and the entire south China region, he paid special attention to leading and guiding cultural and educational work and well as work in connection with the intellectuals.

To meet the demands of economic construction and to rectify the backward state of education in Guangdong Province, he devoted great efforts to overcoming the many difficulties in developing the educational enterprise. Under his leadership and deep-going concern, the province established 15 to 16 new universities and specialized educational institutions such as Chinan University, Guangdong Tropical Crops Institute, Guangdong Chemical Institute, Guangzhou Chinese Medical Institute, Guangdong Teachers Institute, Guangzhou Arts Institute, Guangzhou Music Special Institute, Guangzhou Physical Training Institute, Guangdong Nationalities Academy, and so forth. He also personally assumed the post of head of the preparatory committee of Chinan University and took part in the preparation work of organizing this nationally famous university. Thanks to his efforts, higher education in Guangdong Province became a relatively integrated structure and helped in training up numerous talents for subsequent economic development.

Simultaneously with developing education, he also paid great attention to grasping scientific and research work. In 1956, he was elected as the head of the preparatory committee of the Guangzhou branch of the Chinese Academy of Sciences. Under his direct leadership, Guangdong formed a complete and integrated science and research structure, and established various scientific and research institutes and research offices. He devoted great efforts to prospering art and artcraft, particularly drama and theatricals. Given his support, Guangdong's arts and crafts, public culture, scholastic creations, and so forth, all made progress in large strides. In the last 10-day period of August 1965, he organized over 3,000



theatrical workers to take part in the central-south China emulation performances on theatricals and dramas, embracing altogether over 50 large-scale drama performances. It was verily a huge gathering of outstanding workers in dramatic art and caused immense effects on the country at large. In addition, he organized the training and showing on a large scale of the musical "East is Red," and thus enabled this fresh flower planted and nourished by Comrade Zhou Enlai to blossom and exude its fragrance in the southern province.

Simultaneously with heading this series of work, he held many discourses and discussions on the topic of the intellectuals. For example, he emphasized that with the state turning into the construction era, and with the oncoming of the economic construction high tide, there would also appear a cultural construction high tide. Since labor comprised two kinds of labor, these being physical labor and brain work, we should not heavily regard only physical labor and neglect mental labor. Undertaking economic construction would surely need the participation of a large number of intellectuals. He said: "We shall build many modernized and big factories, must basically solve the problem of floods of the Chang Jiang and the Huanghe, and must tap the various kinds of mineral treasures hidden underground the fatherland: all these problems cannot be solved by merely crying out aloud empty slogans. To solve basically the problems, we must depend on a high degree of cultural and scientific technology to thoroughly transform and rebuild our country." "Without the help of thousands upon thousands of talented people who have a high grade of cultural, scientific and technological knowledge, it would be highly unimaginable that we could proceed." ("Collected Works of Tao Zhu," p 106) In his opinion, the number of intellectuals in our country is not too large but too small. Performing the job vis-a-vis the intellectuals and putting the role of the intellectuals into full play is a kind of "extremely glorious and exceptionally important" work.

His estimation of China's intellectual elements was an entirely correct one. He believed that speaking as a whole China's intellectual elements are all revolutionary because they are not other countries' intellectuals but the great majority of them are intellectuals of a half-colonial and half-feudal China and have suffered from the oppression of imperialism and feudalism. Hence, starting from the Opium War, the Taiping Rebellion, to the 1901 revolution, the May 4th Movement, establishment of the Communist Party of China and series of revolutionary struggles under its lead, there have been intellectuals taking an active part in them. The intellectuals in China "in China's history have always been revolutionary and creditable in this regard" (Ibid., p 127). After liberation, the intellectual elements have also undergone basic changes; they have become "mental workers and part of the working people," and have placed themselves at the series of the people and of the democratic political power. He added: "Intellectuals are the masters of the nation," they should receive our confidence and respect

and even as for certain high-grade intellectuals, several decades of tests and examinations have shown that they are entirely reliable and we should "first respect them and be concerned with them" (Ibid., p 261).

His own concern with the intellectuals was mainly manifested on three sides: First, he stressed that in politics and in ideology we should show our concern with the intellectuals. He also stressed that college students must systematically undergo education by Marxism-Leninism; and that writers must have lofty and superb ideals, must go deep into life, and solve the problem of harboring favorable sentiments to the working people. In February 1960, in an address at the opening ceremony of Chinan University, he cautioned the college students to establish "lofty ideals," and that we "must have ambition, far-sightedness, be capable of going through hardship, and offer our strength to the great fatherland" (Ibid., p 183). Three months later, he again gave an address to the college students, this time on the topic of "ideal, conduct, behavior and spiritual life." He strongly emphasized that intellectuals must establish "an ideal of engaging in struggles for the interests of the majority of people and for social progress, must have lofty morals and conduct" and additionally must have "a spiritual life which is full to the brim, rich, and revolutionary." Second, he called for putting the intellectuals' special talents and functions into full play. He specially emphasized respect for the intellectuals' labor. In his opinion, an intellectual's production and creation of "a short-story, a movie, a drama, a painting, a poem and even a song can truly reflect reality and arouse the outcry of the populace and hence is able to elevate man's ideals; therefore, I think, the role that they can play is not below that of an editorial or report" (Ibid., p 75). To display the role of the intellectuals, there is the problem of how to create an atmosphere of democracy and freedom. He said: "In order that each and every person's special talents can serve socialism, there must exist a high degree of democracy" (Ibid., p 264). Truly carrying out the guideline of "letting a hundred flowers blossom and a hundred schools of thought contend," it would be necessary "to fully display the writer's freedom in his creations. The writer's pen is his and his ideas are also his own; we should allow him to create independently" (Ibid., p 270). Only through our respecting the writer's freedom in creation can he be emboldened and can he use his pen freely. The third is that we must be concerned with the intellectuals' mode of living and must under all possible conditions improve the intellectuals' livelihood and treatment. In Henan, he overheard a primary school teacher's complaint that his pay could not match that of an ordinary street cleaner and that in reality "being a scholar could not match up with an ordinary street sweeper." This disheartened him for days.

He emphasized that the party's policy toward the intellectuals must be earnestly carried out and that doing a good job in the work vis-a-vis the intellectuals should be "included in the party's general policy and be attended to and solved as a highly important matter of principle."

"and be considered as one of the four central tasks in the building of socialism" (Ibid., p 129). He criticized the poor behavior of some cadres in the departments in Guangdong Province and took to task their failure to unite with the intellectuals and their inability to put the role of high-grade intellectuals into full play. He condemned the "non-use" of useful talents as the biggest crime. As early as at the year-end of 1955, in an address he sternly rebuked "certain cadres for taking an extremely rude attitude in treating the intellectual elements," saying that this was "tantamount to violation of the Constitution's provision of respecting human rights," "and why should such rude attitude be adopted in treating the intellectuals? Obviously this was not demonstration of a 'firm class stand,' but was a remnant manifestation of the air of former bureaucrats and warlords and of the attitude adopted by the reactionary and exploiting class in their treatment of the populace" (Ibid., pp 136, 137).

Truly Comrade Tao Zhu set a good example for us to follow in his implementation of the party's policy toward the intellectuals. In our reviewing today certain of the articles in the "Collected Works of Tao Zhu" we should be able to reap beneficial enlightenment in this connection.

### **The Subjectivity of Artists, the Objectivity of Life, and Aesthetic Reflection**

40050279f Beijing HONGQI [RED FLAG] in Chinese No 9, 1 May 88 pp 28-35

[Article by Xiao Yunru [5135 0061 0320]]

[Text] The question of the relationship between literary and artistic creation and life and between artists and the masses, in other words, the question of the theory of reflection in art, is an old issue that will always stay fresh. Although it has been argued that as a weapon, the theory of reflection is already "rust-stained" and can no longer explain the phenomena in literature and art in the 1980's, it still follows us like our shadow on our manuscript paper, color pad and musical scores. Artistic practice has made it impossible for us to evade the issue.

#### I

Thinkers and artists throughout the ages have long perceived the fact that man's thinking reflects the objective reality. This perception is constantly being raised to the level of rational thinking, and this rational thinking is constantly being consummated and deepened. In China as in other countries, writers and artists of classical realism, particularly writers and artists of modern critical realism, as well as philosophers and aestheticians living in the same age, have all written on the reflection of life in literature and art. Although their writings are by no means perfect theoretical expositions, many of their views are really brilliant.

The deficiencies of these views on the theory of reflection in literature and art are manifested mainly in two aspects. First, before the birth of Marxism, mechanical materialism looked at the relationship between spirit and matter in a way that was divorced from man's social practice and which oversimplified the reflection of spirit on matter. This situation was summed up by Marx in "Theses on Feuerbach": "The chief defect of all hitherto existing materialism (that of Feuerbach included) is that the thing, reality, sensuousness, is conceived only in the form of the object or of contemplation, but not as sensuous human activity, practice, or subjectivity. Hence, in contradiction to materialism, the active side was developed abstractly by idealism—which, of course, does not know real, sensuous activity as such." (Footnote 1) ("Selected Works of Marx and Engels", Vol 1, p 16) Second, after the birth of Marxism, despite the fact that many of the Western schools of thought which studied literature and art from the standpoint of the theory of reflection and sociology had developed their respective theories to greater depths, they were unable to explain issues from the angle of the interrelationships and mutual influence of thing and unable to grasp the principal contradiction and the principal aspect in their analyses of the movement of contradictions in things. More often than not, they were unable to discuss issues from a unique angle and from a given position in the web of contradictions in things. Thus, they often saw the tree but not the forest and overemphasized a particular theoretical standpoint beyond proportions. Dana's view that artistic development was determined by the ethnic origin of the developed peoples and by environment and time, as well as the approach taken by the myth and cult school and cultural anthropologists of the early 20th century who tried to find answers to artistic phenomena from the customs, rites and beliefs of the primitive tribes, were actually quite scientific in their respective theoretical spheres. They had played their part in developing and deepening the theory of reflection and the theory of art in sociology. However, we cannot take these theories as comprehensive and basic expositions on the phenomena in the realm of literature and art because they not only fail to reveal the most fundamental social life behind the origin and development of literature and art, particularly the dynamic cause of social and economic life, but also fail to show the complexity of the multitude of contradictions which make up this unique mental labor called literature and art.

It is precisely on these two major aspects that the Marxist theory of reflection which was established on the basis of dialectical materialism was able to bring about a qualitative advancement in the materialist theory of reflection in art. Engels clearly pointed out that "all concepts come from experience and are reflections of the reality—both correct and distorted." (Footnote 2) ("Collected Works of Marx and Engels," Vol 20, p 661) At the same time, he also emphasized the following two points:

First, it is the mode of production, or economic system, in material life that determines our social being. It determines our spiritual life and our social and political

life as a whole. Grasping it, we have grasped the decisive element in our entire social being. Engels pointed out: "The materialist outlook on history explains all historical changes and concepts, as well as everything political, philosophical and religious, from the material and economic conditions of a given historical period." (Footnote 3) ("Selected Works of Marx and Engels," Vol 2, p 537) This helps avoid the shortcoming of examining the history of mankind, political changes, moral concepts, folklore, and so on in isolation and divorced from the mode of material life and economic system with which they are associated.

Second, social consciousness plays a very active rather than a passive role in one's social being. Engels pointed out: "Once a historical element has been brought into the world by other elements, ultimately by economic facts, it also reacts and may react on its environment and even on the causes that have given rise to it." (Footnote 4) (Ibid., Vol 4, p 502) Lenin said: "Man's consciousness not only reflects the objective world, it also creates the objective world." (Footnote 5) ("Collected Works of Lenin," Vol 38, p 228) This helps overcome the concept of mechanical materialism which interprets the reflection of life in literature and art as a passive process of objective recording and passive copying of life. It also provides a theoretical foundation for the active involvement of literary and art works in life.

Since its inception, the Marxist theory of reflection in literature and art has been developing through debates with the idealist theory of literature and art and the mechanical materialist theory of literature and art. In the 1920's, it came under the impact of vulgar sociology. Some of the metaphysical viewpoints of Plekhanov and Mehring were fortified and elevated to the height of methodology in the writings of the advocates of vulgar sociology. Rich, complicated and vivid life in reality and social mentality were abstracted and oversimplified. In their writings, they advocated that economic relations and the class attributes of the author were to be relied on directly, without any other media, in literary and artistic creation. They looked to economic facts for explanations of expressions, analogies, rhymes, and other structural characteristics, tried to expose universal political and economic categories and abstract characteristics of class directly through literary images, and talked about literature and social science in the same breath, as if literature was the "graphic illustration" of sociological concepts. In the mid-1930's, vulgar artistic sociology as a system was basically subdued in the Soviet Union. Nevertheless, its influence continued to be felt in the 1940's and 1950's.

It was precisely against such a backdrop that Comrade Mao Zedong combined Marxism with the practice of revolutionary literature and art in China and creatively enriched and developed the theory of reflection in literature and art in his "Talks at the Yanan Forum on Literature and Art." His concept was mainly manifested in the following aspects: First, he emphatically pointed

out that the life of the people provides literature and art with "an inexhaustible source, their only source." Second, he clearly put forward the idea that the subjectivity of social life is the practical activity of the masses of the people who create history. "Works of literature and art, as ideological forms, are products of the reflection in the human brain of the life of a given society. Revolutionary literature and art are the products of the reflection of the life of the people in the brains of revolutionary writers and artists." Third, he specifically expounded on the two levels of the dynamic role played by literature and art on life. At the first level, life is reflected by the writers and artists; at the second level, that is, when works of literature and art have found their way into society, they can influence and transform the life of the people. He thus channeled the duality in the interrelations of subjectivity and objectivity—that is, the cognitive relations between that which reflects and that which is reflected, and the practical relations between that which transforms and that which is transformed—into the realm of literature and art. Fourth, he pointed out that it is the author's standpoint and world outlook which ultimately determine whether or not he can play his dynamic role well on both levels. He also pointed out that the fundamental way for writers and artists to transform themselves and promote the truthful and artistic reflection of life in literature and art is to go among the masses. In so doing, he combined the materialist theory of knowledge and conception of history in his expositions on the proletarian concept of literature and art.

From the above discussion, I think we can sum up the following points of understanding:

1. The basic concept of the theory of reflection in literature and art is a correct theory which has been examined and proven by modern science and the literary and artistic practices of all ages. Marx, Engels, Lenin and Mao Zedong developed it in a revolutionary way to make it ever richer in content and therefore more true. This is the basis on which we uphold and develop the theory of reflection.
2. The specific meaning of the theory of reflection in literature and art is a theoretical system with great absorbing power. It is not something that will remain unchanged. It embraces the latest success and accomplishment that man encounters in life, in arts, in his artistic thinking, and his thought process. And it is constantly being enriched and further developed.
3. The theory of reflection in literature also covers a very broad theoretical base. It is neither parochial nor exclusive. Since the history of the development of man's cognition and the process of the development of artistic thinking and activity are at once conditioned by political and economic development and relatively independent, the theory of reflection in literature and art not only assimilates the fruits of cognition of different ages and classes, but often transcends these ages and classes and reflects certain regularity of its own in its development.



4. The theory of reflection in literature and art is by no means isolated in the course of its development. Rather, it often clashes with other concepts and trends of thought. These clashes are good for both sides. To varying degrees, they can assimilate reasonable elements from the other side to overcome their own weaknesses. The clashes also have their side-effects. Subjectively speaking, the recoil of these clashes often pushes one to the extreme and makes one radical. For example, when refuting idealism, one is likely to fall victim to vulgar sociology, and in order to overcome vulgar sociology, one tends inadvertently to confuse subjective activity with idealism. Under the circumstances, one is likely to overlook or be unable to carefully discern the distinction between the theory of reflection and vulgar sociology and between the theory of reflection and voluntarism in literature and art. This is when the correct appeals to pay more attention to the dynamic role of literature and art and creative subjectivity, as well as the correct appeals to stop vulgar sociology and voluntarism from doing further damage to literature and art, may accidentally hamper the revolutionary and dynamic theory of reflection.

## II

I would venture to sum up the theory of reflection in literature and art in the following sentence: Literature and art are the aesthetic reflection of the objectivity of life in the subjectivity of artists. Three concepts are involved here. They are the subjectivity of artists, the objectivity of life and aesthetic reflection. The correct understanding of these three concepts is the key to cleaning up some of the criticisms and grasping the rich substance of the theory of reflection in literature and art. It is also on this basis that we uphold and develop this theory.

We must pay attention to the following two aspects in our efforts to comprehend the concept of the subjectivity of artists. The first involves the relationship between subjectivity and objectivity and between the individual and the group; the second is what distinguishes the subjectivity of artists and subjectivity in general.

Subjectivity, whether of the individual or of the group, is in the final analysis shaped gradually in the process of reflecting the objectivity. Subjectivity is defined not so much in terms of man's physical being as in man's initiative in cognition and practice and in man's dynamic role in society. As the subjectivity, man is a social being with life, consciousness and feelings. The fact that the external world is absolutely essential to man's material and spiritual activities and to man's existence and development puts man in a passive position. However, in his dealings with the external world, man invariably achieves his objectives through his own positive activity. This puts him in an active and dynamic position.

Subjectivity has its material and spiritual aspects. It has innate ability which comes from natural inheritance and evolution, as well as acquired ability which comes from social development and changes. Both the innate and acquired abilities of subjectivity are generated and shaped in the practice of survival, namely, in efforts to resolve the many contradictions in life, readjust the relations between man and nature and among mankind, adapt to and conquer the objectivity, and reflect and explain the objectivity. Although these efforts to reflect and explain, resolve and readjust are not quite the same, for example, some of them are correct while others are wrong, some are thorough while others are perfunctory, some are direct while others are indirect, some are distorted while others have seen repeated accumulation and sublimation through time, space and man's thoughts and feelings, subjectivity is ultimately bred by and born of objectivity, and grows and matures on the nourishment of objectivity. Hence we say that man's existence as the subjectivity is a social, practical and targeted existence. Man's activity as the subjectivity is also a social, practical and targeted activity. This is a macroscopic view of group subjectivity.

In microscopic terms, an individual's subjectivity is the accumulation and sublimation of his earlier experience; it is conditioned by group subjectivity. An individual's earlier experience is the combination of subjectivity and objectivity in mental and material labor. Right or wrong, this combination creates a link which objectively exists and which will, over time, develop into a given culture and mentality. The practice of life of any individual is ultimately an integral but individual part of the practice of a given social group (that is, an integrated body of classes, strata, political parties, economic groups, educational systems, professions and trades, regional and community life, clanship and kinship). However, the subjectivity of any individual is ultimately the symbiotic branch of the subjectivity of a given group. This conditioning of individual subjectivity by group subjectivity, in fact, is still the indirect reflection of the objectivity of life on the subjectivity of spirit.

Man is a social animal. It is man's nature to wish to disseminate and receive material and spiritual information. Through dissemination and exchange, the well-coordinated life of society as a whole is maintained. When people share certain thoughts and feelings, there develops a given social and mental link among them, and this is an indispensable factor for social progress. Without this, mankind cannot exist as an entity and society cannot function as an entity. Dissemination is the beginning of the quest for recognition. In one way or another, seeking feedback through dissemination, adjusting oneself in order to adapt to the group or the objectivity, or expanding in order to conquer the group or the objectivity are all aimed at recognition. When an artist works out the plots of his works, he would not only try to express a given social existence in a rich and varied aesthetic form but would also unconsciously refer himself to the receiving end of his works, that is, the readers and audience.

who are a given social group of aesthetic subjectivity. Although the receiver social groups may vary in size or intellect, there is no doubt that they will condition and influence literary and artistic creation either in a concealed or in an open way. This kind of conditioning and influence runs through the entire course of creative preparation and practice. After finishing his work, an artist will have a strong desire to see it spread far and wide in one way or another. Publication, exhibition, performance, cinematic production, circulation and broadcasting are the main forms of dissemination. There is hardly any author who does not wish to see his work together with its ideological, life and artistic messages conquer as many people as possible and arouse public interest and response. In other words, to achieve some degree and form of recognition. All this shows that subjectivity originates from objectivity and the group, and ultimately belongs to and identifies with objectivity and the group. This proves that subjectivity is independent of objectivity and the group and has its own initiative, and that at the same time, it is basically dependent on objectivity and the group and reflects them.

The subjectivity of artists is special when compared with subjectivity in general. Artistic labor is mainly the labor of an individual. It is highly subjective. Artistic creation attaches great importance to the reflection of objective life from the angle of the individual and subjectivity. In its reflection of life, the focus is placed on persons, the environment in which they grow up, their character and destinies, their ideas and morality, their temperament, and their sentiments and consciousness. Thus the subjectivity of artists will need greater freedom of the individual spirit and will need to put greater emphasis on and give more attention to the individual spirit. This will further complicate the relationship between the subjectivity of artists and the objectivity of life. This has been pointed out time and again in the Marxist classics. However, whether the author realizes it or not, the ultimate objective of artistic creation is to better express (realistically or impressionistically) the images of life in the objective world as well as messages about the deep structure of history, society, life, people's mentality and feelings. In the process of creation, the expression of the subjectivity of the artist himself is invariably subject to all kinds of restrictions from the objectivity. For example, there are restrictions on what is being expressed (such as source materials, characters and the general mood of society); restrictions at the receptor level (different readership and audience); restrictions from the cultural environment and cultural traditions in which the creative subjectivity is posited and is, to varying degrees, accepted; as well as restrictions from the specific mode, genre, means, techniques and language used. Of these restrictions, the first two types directly originate from the objectivity of life. They show that the free roving of the spirit of the subjectivity is, in the ultimate sense, nothing but a liberal reflection of life in reality. The last two types appear to be restrictions within the realm of ideology, but in the final analysis, they still are

restrictions from the objectivity because cultural environment, cultural traditions and artistic forms and systems are developed by our predecessors and by others through their mental labor of thinking and reflecting on life and are accumulated step by step in the practice of life. Once formed, they become an integral part of objective social existence. Hence, these two restrictions to which artistic creation is subjected are in fact just a reflection of the reality of life in a much broader sense.

Thus, we may say that the subjectivity of artists is, in the final analysis, the reflection, accumulation and sublimation of the objectivity of life. Subjectivity originates from practice in the objective world, and returns to objectivity for self-confirmation. The subjectivity of artists has many peculiarities, but it cannot but be subject to the restriction of all kinds of objective beings, and reflect the restriction in its own creative works. In this sense, the free expression of the subjectivity of artists and the reflection of the objective reality in art are by no means antagonistic. The free expression of subjectivity either promotes or hinders the reflection of the objective reality. When such "hindrance" leaves its marks in a particular piece of work, it is also a specific reflection of social being.

### III

Objectivity in the sense of artistic epistemology cannot be simply equated with the material world and objective reality. The material world and objective reality are independent of any subjectivity. The objectivity of life is related with subjectivity and always exists side by side with subjectivity. It refers to the part of the objective world that is the object of man's understanding and practice. In the category of art, this is often expressed as the mutual selection and interaction between the author and the subject matter. Our comprehension of objectivity is not one of naturalistic and direct perception. Rather, we try to grasp objectivity through the dynamic activities of subjectivity. In so doing, we can avoid being caught in mechanical materialism and vulgar sociology. The primary precedence of the material world and objective reality provides the subjectivity with a choice of objective bases on which to determine the subject matter (objectivity) of life. Once removed from this objective basis, subjectivity becomes an unfounded subjective framework and will slip into the mire of idealism.

We should also note that every objective thing is a complicated system in itself. It contains many elements, levels and attributes and provides people with a choice of objective bases. The same subject matter (objectivity) of life may mean differently to different artists (subjectivity). Different authors may grasp these from different levels and perspectives in their own ways and produce works of different meaning and style. It can thus be seen that, epistemologically speaking, objectivity is also the objectivity which verifies and realizes the essential strength of subjectivity, just as subjectivity is the subjectivity which breeds and cultivates objectivity.

The objectivity of life is made up of two major parts. The first part is its practical part, that is, man's practical activities and the results they produced. Practical activities include man's economic, political and everyday life as well as his words and actions in the ideological realm, the results of which are visible. Even the results of mental labor, such as a research endeavor, a book or a film, are also visible. The other part is the ideological part, that is, man's mental activities, such as thinking, recollection, imagination, emotional ups-and-downs, aesthetic perception, as well as dreams, moods and subconsciousness. According to the traditional theory of reflection in literature and art, man's inner self is also the object of expression, but it is usually expressed as a supplement and adhesion to man's practical life. The depiction of man's mental activities and emotional ups-and-downs is often prompted by practical life, or is used in turn to interpret, prove, highlight or supplement practical life. Man's emotions have their specific external causes and are invariably and directly linked with a particular practical factor. This is where the so-called realistic method of creation which gives priority to the external, combines the external with the internal, and proceeds from the external to the internal comes from.

However, this also gives rise to the misunderstanding that the theory of reflection in literature and art only recognizes that practical life (at most with the bit of inner life attached to practical life) is the objectivity of life, and that only works which reflect this aspect can measure up to the requirements of the theory of reflection. It was mistakenly thought that man's inner life, particularly that which does not have any direct or obvious links with concrete and practical actions, and which are independent and hard to fathom, such as complicated mentality that has not yet been filtered, obscure or fleeting sentiments, subconsciousness, perverted ideas, erotic fantasies, and so on, cannot be taken as important objects of reflection in the literary and artistic works. This misunderstanding is shared to varying degrees by those who advocate the theory of reflection in literature and art as well as those who censure it. Some comrades who uphold the theory of reflection in literature and art, though well-intentioned, are always a little suspicious of those works that proceed from one's inner being to the external world, or only write about what goes on in people's minds, as well as comments that give such works positive assessment. While correctly pointing out the inadequacies of such works, these comrades who are rigid and narrow in their outlook often refuse to acknowledge them as exponents of the theory of reflection and set the depiction of the self and one's inner feelings as diametrically opposed to the reflection of life. They fail to think more carefully to see if these new creative phenomena can inspire the enrichment and development of the theory of reflection in literature and art. On the other hand, some writers and critics who emphasize the need to depict the subjectivity and the inner world are also

rigid and narrow in their view of the theory of reflection in literature and art. They keep trying to find and establish all kinds of new systems outside the theory of reflection.

In the final analysis, all kinds of mental and emotional phenomena, including dreams, are but some form of reflection of things which actually exist. Take dreams, which are utterly twisted when compared with life, for an example. According to Freud, when desires in the real world are frustrated, they are either pushed into the unconscious, or they express themselves in a very distorted form. Thus, I think that the emergence of creative works which mainly portray mental activities has enriched our theory of reflection in literature and art rather than repudiated it. If both parties to the polemics would take note of the fact that subjectivity has its objectivity and originates from objectivity, interpret the objectivity of life in a broader way, and accordingly regard such works as reflections of a special form of life and explain them in terms of the theory of reflection in literature and art, it would help overcome the tendency to interpret the theory of reflection in a parochial way. It would also help avoid the defects of completely cutting off man's inner activities from its given historical environment and ties with reality in the creative search and treating them as mere symbols and expressions. This would be of help to both creation and theory. Needless to say, giving broader meaning to something does not mean removing all limits. When we interpret the objectivity of life in a broader way, we are not to obscure the distinction between objectivity and subjectivity. Likewise, we are not to confuse the Marxist assertion that the objectivity of life has the life practices of the masses of the people as its subjectivity.

Based on this understanding, when artists penetrate deep into the realities of life to accumulate experiences in life, they must pay attention to the accumulation of visible elements such as people's destinies, conflicts between people, patterns of life, images and scenery. They must also pay attention to the accumulation of elements which manifest people's deep inner levels, that is, elements of feelings, emotions as well as thoughts and concepts which may or may not be related to a certain phenomena of life. At the same time, they must study from the macro-level the emotional trends of the society as a whole, as well as the various types of cross-flows within and the general trends outside the society. If more conscious efforts are made in this regard, works whose main task it is to reflect life in reality would be able to more fully and roundly reveal people's state or frame of mind, and works which mainly reflect spiritual life would appear more realistic and full of vitality.

#### IV

Aesthetic reflection is a form of aesthetic activity, a special form by which mankind grasps reality from the spiritual level. It has something in common with man's other cognitive activities, but it also has its own unique



characteristics. It cannot be separated from man's specific impression of individual perceptual images. For this reason, it tends to attach too much weight on the combined role of the emotional activities and psychological functions of the artists, and give precedence to thinking in terms of images. Rational cognition and logical thinking often function through images and feelings. To understand "aesthetic reflection," the important thing is to grasp the various media in the chain of cognition which connects life and art, as well as the various dynamic effects of these media on reflection.

The relationship between subjectivity and objectivity—the two poles of the cognitive structure—is not a simple and direct binomial relationship. Between them there is a system of media which links them together. This consists of material tools and the methods of operating these tools, as well as tools of thinking and the methods of operating them. Artists mainly rely on the latter for their perception of life. Through the interplay of subjectivity and objectivity, artists receive messages from objectivity through their own receptor organs. After obtaining their perceptual materials in this way, they process these materials in activities of thinking in terms of images and logic. Through the figurative and conceptual disintegration and realignment of the objectivity by the subjectivity, a unique system of images, emotions and sentiments is formed. A more profound, individualistic and aesthetic reproduction of the source material will then appear in the head of the artist. The media in the process of "aesthetic reflection" and their dynamic role on reflection are specifically manifested in different aspects. These aspects interact in actual artistic practice. They are discussed separately here for purpose of illustration only.

First, artists as the subjectivity of cognition in general constitute a medium between existence and consciousness. The cultural accomplishment, thoughts and concepts, ways of thinking, mode of expression, expressiveness, as well as the physiological, psychological, temperamental and other aspects of the subjectivity of cognition will unavoidably assert themselves in the process of reflection. Real life undergoes its first metamorphosis through this dynamic screening.

Second, artists as the subjectivity of aesthetic reflection constitute another medium between life and works. The unique qualities of the artist himself as the subjectivity of creation and the unique characteristics of his aesthetic thinking will play their dynamic role in the process of reflection. Some of the unique characteristics of the artist's aesthetic thinking, such as projecting the inner self on the world, constitute the dynamic function of aesthetics. Since the artist is figurative and emotional in his aesthetic thinking, he tends to attach too much weight on one aspect while slighting another, emphasize one another while weakening another, and condense one aspect while diluting another in his reflection of life. Through this dynamic screening, real life undergoes another metamorphosis (for example, the role of typical

character and sentiments in the multi-leveled social relations is highlighted, and the picture of life and interpersonal relationships are realigned in accordance with the intended meaning of the work, the need to create certain figurative and emotion effects, as well as the subjective possibilities of the author himself). This is the result of the dynamic aesthetic screening of life.

Meanwhile, the object of artistic reflection is not altogether passive. The characters portrayed in literary and artistic works have their own life and logic. The source materials of spatial art is tied to a given position that is independent of the external force of the author's voluntary will. Temporal art is controlled by the given emotional curve of the work itself. The artist must respect the law governing the existence of the object of reflection and "create" within a limited framework of freedom. Otherwise he would be punished by the laws of art. This is where another medium comes in: the dynamic role of the object of reflection.

In the process of the artistic reflection of life, there is yet another medium: the specific forms and languages of art. Forms include category, mode, genre, length, angle, structure, stylistic pursuit and other elements. Along with the various languages of art, they play their dynamic role in conditioning while at the same time promoting the artistic reflection of life. The dynamic nature of form makes it possible for works of different categories, genres and modes to reflect life from different angles, through different channels and in different artistic languages. The difference in the form of reflection makes it possible for the same incidence in life to appear differently in specific artistic modes. We must not overlook the dynamic nature of form. On no account must we sweepingly and indiscriminately demand all forms of art to reflect life in the same manner, say by means of reproduction, while dismissing all other forms as outside the theory of reflection. Narrative art, such as the novel, drama, film, television drama, narrative poem and the majority of artistic works, reflect life mainly through reproduction, and sometimes combined with expressive techniques (as in the case of Chinese classical drama and certain Chinese paintings). Music, lyrics, architectural art and some works of fine arts reflect the inner rhythms of life through emotional response and other syntectonic effects. In other words, they reflect life through reaction. Dance, insofar as it is performed by dancers, is a reproduction. However, as seen from the language of movements which is not a kind of reproduction, it is a form of expression. Viewed from its principal task, which is to convey certain feelings, it is highly response-oriented. Calligraphy, insofar as the contents are concerned, is a record, reproduction or expression (it is expressive if what is written is a poem) of a given aspect of life. In terms of artistic form, it seeks to convey its sentiments through the brush strokes, that is, to reflect life and move those who appreciate it by means of syntectonic effects. In my opinion, these are just different forms of the aesthetic reflection of life in art. They do not negate the theory of reflection. Architecture is a

special form of art which combines use value with aesthetic value. It may be more complicated in its reflection of life than other forms, but we can still find such traits. Be it centralization and hierarchy of the feudal society, or free competition under capitalism, the characteristics are vividly expressed in the overall urban layout and architectural structure and styles of given periods.

The three concepts of "subjectivity of artist," "objectivity of life" and "aesthetic reflection" originally conveyed very broad extensions and many different levels of meaning. Further, subjectivity and objectivity are constantly in motion and undergoing changes of one sort or another under the influence of internal and external forces. Aesthetic reflection is the cognitive medium between subjectivity and objectivity. Each of its different links is constantly in motion, thus replacing the rigid and narrow outlook in the practice of artistic creation and commentation with a developing and broad outlook. If we can restore the original meaning of the three concepts mentioned above and recognize them as they truly are, and take note of the fact that they are constantly in a state of motion, we would also recognize that none of the new phenomena we have witnessed thus far in literary and artistic practices has overstepped the limits of the theory of reflection in literature and art, and that literature and art are the aesthetic reflection of the objectivity of life in the subjectivity of artists. The development of literary and artistic practice and theory has demonstrated the vitality of the Marxist theory of reflection in literature and art.

**18th Lecture of Forum on Socialist Commodity Economy: Technology Commodity and Technology Market**

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[Article by Zhen Xinli [6774 2450 4539]]

[Text]

**I. Objective Necessity of Prosperity in Technology Trade**

In the wake of reforms, opening up and the development of socialist commodity economy in recent years, the concept of technology commodity has begun developing in people's minds. This plays an increasingly important role in the promotion of China's scientific and technological progress as well as its economic development.

The so-called technology generally refers to techniques and methods formed under a certain conditions in accordance with the practical production experience and the principles of natural science to achieve certain goals. Technology can be divided into two types in respect of its form of existence: The first type is technology, such as design plans, production methods, operation processes and so on, which takes books and magazines, drawings,

documents and data as its carrier, and which can be independently transferred. The other type is technology or skills that are attached to the laborers and which can be transferred only together with the laborers. Generally, the former may be purchased and sold as a commodity in the technology market; whereas the latter generally cannot be taken as a commodity for purchase or sale, except in the special form of technological consultation, and is attached to laborers and only available in the labor market. Besides, more often than not, purchasers buy a new product bearing the fruit of technological research in certain areas because they want to learn the technology. Therefore, the sale of this type of commodities can be regarded as a special form of technology sale.

People have long been purchasing and selling technology as commodities. Technology trade has been comprehensively developed in the wake of technological revolution and the industrial revolution in the modern times, as well as the development of capitalist commodity economy. In the early 17th century, Britain promulgated the world's first patent law, which played an important role in promoting invention and propagation of technology and in economic development. The United States was once a backward underdeveloped country. After it imported technology from Western Europe and transformed it in the light of its actual conditions, it gradually switched its approach from one of technology imitation onto that of technology creation. It thus became a technology exporter instead of a technology importer. It has also occupied the world's dominant position in terms of economics and technology. A major reason that Japan grew so rapidly after World War II is because it imported technology on a large scale from the United States and Western Europe. According to relevant data, between 1950 and 1979, Japan spent more than \$10 billion on the import of 4,000-odd items of technology. Its cost of technology importation accounted for 25 percent of its overall investment in technology, so that 70 percent of its major technology adopted by its industries was modernized. Proceeding from the history of capitalist development, no country can solve all of its technological problems in its economic development by solely depending on its own efforts. Only when a country is good at absorbing from the international technology market the technology that it needs, can it accelerate its pace of technological development and surpass others.

Technology trade development originates from progress in science and technology. In the past 20 years and more, following the development of the new technological revolution, as well as the application of aeronautic technology, computer technology, new materials, bioengineering and marine technology to production, a new generation of products has become available for technology trade. Moreover, such kind of trade has reached an unprecedented global scale. Relevant data reveal that in the mid-1960's, the total technology trade volume of the world was \$2.5 billion. The figure reached \$12 billion in the mid-1970's, and was as high as \$50 billion in the mid-1980's. The trade volume was

increased by 20 times in 20 years. It is anticipated that the growth rate will continue in the future. This is an inevitable trend in the light of scientific and technological development, and the further expansion of economic and technological exchanges at global scale.

In the final analysis, the constant development of technology trade is resulted from the continuous enhancement of production socialization. The larger scale the division of labor, the greater scope of exchange people require. In the wake of enhancement of the production socialization, the study and development of science and technology have become an independent activity of production. Technology is represented by its products such as design drawings, formulae, data and operation processes. A purchaser may utilize it to produce material products. Only thus can technology trade be really developed in a comprehensive way. The enhancement of socialization and specialization of production brings about constant changes in the production techniques, thereby creating new technological achievements and upgrading technological skills. This, in turn, proposes more rigorous requirements for developing the technology trade.

China is still at the preliminary stage of socialism. The report adopted by the 13th CPC Congress pointed out that at this historical stage, "the long-standing issues yet to be solved in order to develop the social production force are the realization of industrialization, as well as socialized, modernized and mass production of commodities. China's economic construction now shoulders a two-tier task of promoting the traditional industrial revolution while catching up with the world's new technological revolution." In order to realize this great historical task, we must import in a resolute manner technology which has been adopted by another country and which can meet China's needs. We should absorb, assimilate and transform this kind of technology into our own, and popularize the technology in our industrial and agricultural production. Meanwhile, we must accelerate the pace of scientific and technology research in China and popularize our present technological results. We should equip China's hundreds of millions of laborers by providing them advanced and suitable technology, and let them form a gigantic production force. This is a tedious and arduous task which depends on the promotion efforts of powerful administrative organizations and on the technology market to solve problems by way of technology trade development. This thus mobilizes the initiative of creators, promoters and users of new technology.

## II. Value and Price of Technology Commodities

An important question concerning the development of technology trade is the pricing of technology commodities. Like material commodities in general, technology commodities are products of human labor. Their prices are a manifestation of their values. The necessary amount of social labor consumed by that technology is

also determined by their magnitude of value. Compared to material commodities in general, however, the formation of prices of technology commodities as well as their price structure are marked by some special features. Only when we understand these features can we determine the grounds for prices of technology commodities.

What are these features concerning the formation of prices of technology commodities as well as their price structure? How do they affect the pricing of technology commodities?

First, technology commodities are mainly products of mental labor. In their price structure, they should include values of all material conditions needed by mental labor.

In the process of creating technology products, one must consume living labor as well as consume certain kinds of materialized labor such as experiment instruments, equipment, materials and so on. Compared to material commodities in general, the consumption of living labor is greater. Furthermore, the amount of mental labor is relatively greater than physical labor in the consumption of living labor. This is an important feature in the process of technology products production, that is, the formation of value. In order to ensure that such kind of mental labor will go on continuously and efficiently, we need a certain amount of investment in intelligence, that is, the costs of educating laborers on intellectual skills. As knowledge is continuously updated and science and technology are developed in each passing day, the investment in intelligence is by no means once and for all. At the present stage, the investment in intelligence is shared by society and households. Only when they recoup this investment through exchange of technology products, can there be the formation of beneficial cycle of reproduction by laborers and will the reproduction of technology products be constantly expanded. Moreover, mental labor is an arduous and complicated labor demanding longer time on concentrated efforts on thinking. They should therefore have better working and living conditions, so that their mental and physical strength will be recovered more quickly. All costs incurred in respect thereof should be included in the value of the technology products.

Second, the labor to produce technology products is a creative one. It is very difficult to directly judge the amount of labor borne by such products through the market. Generally, this is indirectly determined by means of economic results derived from application of the technology in question to such production.

The magnitude of value of material commodities in general may be reflected through countless exchanges on the market and comparison among commodities. The special features of technology products are, however, originality and uniqueness. It is impossible to determine



the extent of conversion of complicated labor that creates technology products into simple ones, or the magnitude of value of technology products by way of numerous exchanges and comparison in the market. Generally, this is determined indirectly by means of the economic results derived from the application of the technology in question to production. Also, through such economic benefits, the creation of technology products is subject to the social needs. Of course, one must, in the determination of exchange prices of technology products, also take into consideration the cost of research and development.

Third, in the solution of a particular technological problem, only the best available option is recognized by society. The price of technology products should therefore embody risks and losses.

The quality of material commodities in general varies between one and another, and all of these commodities are useful in certain ways. The labor spent on their production is realized in varying degrees. But this is not the case for technology products. In the solution of a particular technological problem, only the best technology is selected by society and the rest are totally useless. Therefore, the labor spent on the creation of the technology becomes ineffective labor. Even the creation of the best technology bases itself on repeated failures. The value composition of technology products should, therefore, include the amount of labor consumed by previous scientific and technological activities that ended in failure, that is, risks and losses.

Fourth, the extent of invisible wear and tear is determined by the life of technology products, and their value is written off following the end of their life. Their useful life may still exist though their commercial life has ended.

There is only invisible wear and tear, instead of visible wear and tear, for technology products taken as the means of production. The reasons for this are: First, a new technology has emerged to solve a particular problem and replaces the old one that does the same. Second, products that employ the technology in question have reached the stage of market saturation due to the popularization of technology. While the former determines the natural life of technology, the latter determines its commercial life. The value and useful value of a technology commodity will no longer exist when its natural life comes to an end. If its commercial life comes to an end and the technology becomes unmarketable, however, it may still be applied to production. Its useful value still plays a role though its value has vanished.

It is shown from the above that technology commodities are different from material commodities in general in terms of value composition and formation of value. Therefore, the basis for determining a reasonable price for technology commodities should be different. The

"Interim Regulations of the State Council on the Assignment of Technology" points out: "Charges on the assignment of technology, that is, the price of technology commodities, shall be based on market readjustment and be determined by the two parties in question through negotiations. The amount may be a total sum payable once and for all, or may be royalties withheld in proportion to the increased sales volume or profits derived from the application of the technology in question, or may be calculated by any other means discussed and agreed upon by the two parties in question." These regulations fully manifest the characteristics of technology commodities, and are favorable to the circulation and popularization of technology, as well as help encouraging the creation and invention of technology.

### III. Further Develop and Perfect the Technology Market

Following the 3d Plenary Session of the 11th CPC Central Committee, China's technology market saw a rapid development as we broke through the trammels of traditional thinking, and have acknowledged that technology is a kind of commodity. In 1987, China's technology market concluded more than 130,000 contracts, amounting to 3.35 billion yuan, which respectively showed an increase of 51.13 and 62.42 percent when compared to 1986. The major patterns of technology trade and exchange at present are: 1) technology proprietary; 2) technological achievement exchange fairs; 3) technology outlets; 4) meetings on technological information; 5) technological and consultative services; 6) joint ventures concerning technology; 7) the contribution of technology as venture capital; 8) contracts for technology; 9) invitation for tenders to tackle technological problems; 10) combination of scientific research and production; 11) popularization of technology in rural areas; and so forth. The development of technology market has effectively promoted the transfer of technology, as well as the economic development. Recently, the economic development in a number of promising cities, as well as regions and some urban and suburb areas in southern Jiangsu, Zhujiang Delta and Yantai has been very rapid. One of the major reasons for this is because they actively apply market mechanism to import foreign technology. For instance, the technological level of Foshan city was originally poor, and its industrial and agricultural production growth was protractedly slow. Following the 3d Plenary Session of the 11th CPC Central Committee, it obtained, through reforms and opening up, suitable technology at various levels from technology markets at home and abroad. A number of newly emerged technology-intensive industries were established, and the town and township enterprises were rapidly developed. The gross industrial and agricultural output value of the city reached beyond the level of 10 billion yuan within a very short time. Its overall achievements made in the previous 8 years were greater than those made in the past 30 years. In another example, Xiangfan city emerged as a promising city within a matter of years mainly because it was good at making use

of the technology market, and depended on scientific and technological advancement, so that it promoted a sharp and continuous economic development.

At present, China's development of the technology market is still at the preliminary stage. Its extent of development falls far behind the needs of economic development. The lack of technology is still the major obstacle hindering the work of tapping the production potential of rural areas and factories. In order to further develop and perfect the technology market, we must quickly establish an open technology market system linking to other areas in all directions, so as to let technology owners establish relations with technology users. Departments, as well as units, in charge of science and technology at various levels, and large and medium-sized enterprises should make use of their advantages to set up and run technology trade companies or technology stores. They should actively launch activities of propagating and marketing new technology. They must form a strong contingent, that is, a group of technology middlemen, for technology marketing, so as to popularize technology to the masses and places where it is needed.

We must greatly encourage acts of technological invention and creation. As the production technology presently adopted by many industrial and agricultural departments in China is generally backward, an urgent and important task is that we should equip and transform all of these trades with advanced technology of the times. Let us take the application of computers as an example. There is much room yet to be developed in areas in which the application of computers in foreign countries is very common. For this reason, we must resolutely implement the principle of making the work of scientific research serve our economic construction, strengthen our study in applied technology and our development of new technology and new products. Various trades and large enterprises should set up technological development centers, as well as avoid the low-level duplication of labor by pooling together outstanding personnel and sound conditions for conducting experiments on major technological research projects. We must encourage workers at the forefront of production to participate on a large scale in the invention, creation and promotion of small-scale reforms. We should allow valuable transfer of, and valuable consultation service concerning, the technology patents or proprietary technology which is developed following the process of absorption, assimilation and transformation; and overcome the phenomenon of mutual blockade, excessive overseas inspection tours and repetitious import of technology.

Technology which is widely applicable and brings about sound social benefits should be purchased and utilized by the state in a centralized way. For example, we must adopt the necessary and coordinated administrative means to popularize technology, such as the technology of selection and cultivation of improved breeds, and application of improved fertilizers in agriculture; and the technology of energy and raw materials conservation in industry. In the transfer of technology and techniques invested by the state to small enterprises and town and township enterprises, the large and medium-sized enterprises should generally limit their charges to their necessary expenses on drawings and information. The ownership, as well as proceeds from the transfer, of technological achievements made with funds provided by the state should go the state, while the outstanding scientific research personnel will be rewarded.

Through the intensive development of reforms, we should further perfect the operation mechanism of enterprises, so that they will be urged, have the drive and be capable to adopt new technology. Presently, the market share of some advanced products cannot be improved; but some poor and nondurable products are sold like hot cakes. This hinders our technological advancement. The key to this rests with the irrational pricing system and taxation policies, as well as the lack of competition among enterprises. We should solve this issue through systematic and coordinated reforms.

We must strengthen our unified management of the technology market. Currently, there are anomalies in the technology trade: Some immature, or even plagiarized, and forged technology is available in the market. Some people disregard the market capacity and repetitiously transfer a particular production technology to such a level that the transferee of the technology suffers losses. After obtaining economic benefits by the application of transferred technology, some production units disregard the interests and rights of the party providing the technology in question. In order to maintain the normal order in the technology market, we must strengthen our administrative and legislative control over the technology market. In connection with the characteristic that technology trade involves every process of application of technology, we should seriously enter into contracts for technology trade, and formulate express provisions on technological details, progress of work, budgeting, standards and methods of examination and acceptance, the interests and rights, risks and liabilities of breach of contract, obligations of the buyer, seller and the middleman, and so on. On the pricing of technology products, we must make it favorable to the development of production and take into consideration the economic strength of the transferee.

**19th Lecture of Forum on Socialist Commodity Economy: Commercial and Commodity Circulation Channels**

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[Article by Jia Lurang [6328 1462 6245]]

[Text]

**I. Commerce Is an Inevitable Product of Economic Development**

Commerce is a special trade dealing with the business of purchase and sale of commodities, and is a developed pattern of commodity exchange. The emergence of commerce is resulted from the progress of history. It symbolizes that the relations of commodity exchange have reached a new stage, the pattern of commodity circulation, which is different from the primitive barter system and the simple commodity circulation pattern in which currency is taken as a medium. A slave society and a feudal society mainly based themselves on the natural economy. Instead of producing for the purpose of exchange, their main goal of production was to meet their own needs. Their variety and scope of exchange were therefore limited. The commerce was then attached to the slavery and feudal production relationship and the natural economy. It was therefore unable and impossible to become fully developed. After developing themselves into capitalist societies, the commodity economy grew at an unprecedented scale. Commodity production became a common and predominant pattern of production by society. The expansion of commerce at that time also reached its maximum scale. Being independent from the industrial capital in a special form, the commercial capital focused on the purchase and sale of commodities, provided raw materials and sale of products to industrial capitalists, realized values and the surplus value, thereby promoting the development of social division of labor and capitalist production.

The development of commerce played a major role in the past in the development of commodity production. First, the separation of production from exchange might help producers spend more time on production and was favorable to develop the productive force of society as a whole. Marx said: A merchant "might save time for many producers on purchase and sale through his activities. Therefore, he may be regarded as a machine, for it conserves unproductive labor consumption or helps people spare the production time." ("Das Kapital," Vol 2, p 148) Second, the contradiction between the location of commodity production and that of consumption was settled. Inter-regional circulation of commodities was promoted through the long-distance transfer by merchants, thereby expanded the scope of commodity circulation. Third, the contradiction between the time commodity production and that of consumption was settled. Different commodities required different times of production. Some commodities had to be produced

throughout the year and be consumed only in a certain season; and some had to be produced in a certain season only and be consumed throughout the year. This time factor made the supply of commodities fluctuate. The activities of merchants, such as purchase, management, storage and sale, therefore helped us overcome the contradiction of time factor between the supply and demand.

China's socialist economy is a planned commodity economy based on the public ownership system. Therefore, there must be a developed commerce in order to greatly develop the socialist commodity economy. China's socialist commerce is a key component of the whole national economy, and plays an important role in the socialist modernizations. First, through its activities of purchase and sale, the socialist commerce actively buys and markets the goods of industrial and agricultural production. Not only does this promptly compensate the labor consumed by the production departments but also creates new value and provides accumulation for expanded reproduction. It also acted as a guidance by providing information on raw materials and the market, which is needed by production enterprises, thereby promoting the development of productive forces of society. Second, under the conditions of socialism, the distribution of personal consumer goods is mainly achieved by commercial activities. Through activities of purchase and sale, the socialist commerce promptly and reasonably supplies the needed quality and suitable consumer goods to the masses. It also provides them good services, thereby continuously improving the people's livelihood and mobilizing the initiative of the masses in the socialist construction. Third, through activities of purchase and sale, the socialist commerce promotes materials exchanges between urban and rural areas and among regions, strengthens the relations between urban and rural areas, between industry and agriculture, and among regions. It thus achieves economic combines and cooperation. At the same time, China is a multinational country. To do well in the work concerning commerce and to expand the materials exchange among regions will help boost the economies of the minority nationality regions, will enhance and improve the material life and cultural life of minority nationalities, and will promote nationality unity. Because of the old and long-standing economic system, however, China's economic work tends to excessively "emphasize on production but ignore circulation," and pay little attention to commercial development or the construction of circulation organizations and facilities, so that the quality of commercial networks and outlets, the materials, technology and equipment use by the commercial sector, and the quality of commercial workers fell far behind the needs for production and improving people's livelihood. If we do not overcome such mentality, the development of socialist commodity production will be out of the question. Therefore, in order to greatly develop the socialist commodity economy, we must first change our thinking.



## II. Commodity Circulation Links and Commodity Circulation Channels

Commodity circulation links refer to sections of purchase and sale undergone by the transfer of commodities from the production area to the consumption one. Exchange of commodities was first directly conducted between a producer and a consumer. Under these circumstances in which currency was used as a medium, the commodity exchange was developed into the exchange of commodities and currency, and was divided into two opposite and interrelated economic acts, that is purchase and sale. At the same time, a simple form of commodity circulation has emerged in the process of purchase and sale between the producer and the consumer. Under these circumstances, partners involved in the circulation were only the producer and the consumer. Commodities were exchanged from the hands of the producers into those of the consumers in a single act. In the wake of the commodity economic development, the contradictions between commodity production and consumption were magnified. It became impossible to tackle the problem by simply relying on the same roles played by producers and consumers. Instead, it needs a third party—merchants—to act as a middleman and conduct commodity exchange between them. In other words, it needs to have the merchants realize the sale by producers and the purchase by consumers. Merchants perform their special economic activities—to purchase for the sake of selling, and develop the commodity exchange of society by way of purchasing prior to selling. However, in the wake of further development of commodity economic development, the contradictions of time and location between commodity production and consumption become so complicated that no single merchant can solve the problems by his own efforts. This thus requires more merchants to tackle the task of commodity exchange of society by repetitious purchase and sales. Consequently, corresponding division of labor developed in the commercial departments. First, there emerged the links of wholesale and retailing. Then came the wholesale network at the place of production and similar network at the place of consumption in the links of wholesale. The number may be two or as much as several transfer stations (distributing centers). To put it in a nutshell, in the wake of development of the division of labor and the expansion of production socialization, the links of commodity circulation will be further expanded and become more complicated. In the process of circulating commodities in a developed channel, commodities are generally transferred from the production areas to the consumption areas after repeated purchases and sales among merchants. This means it involves several circulation links. Except for the two basic links through which goods are purchased from the producers and are sold to the consumers, all other links mainly function within the commercial departments. For example, wholesale enterprises at the place of production make business deals with wholesale enterprises at transfer stations, which in turn make business deals with whole enterprises at the sales regions. There are also business deals made

between these wholesale enterprises and retail enterprises, and so forth. Thus, we can see that the process of commodity circulation is an order of a series of commodity purchases and sales. The time taken by the process of circulation is determined by the frequency of purchases and sales (that is, the circulation links). The higher the frequency, the longer the time needed; the lower the frequency, the shorter the time needed, the shorter the circulation process.

Commodity circulation channels and commodity circulation links are interrelated while differing from each other. Commodity circulation links refer to sections of purchase and sale undergone by the transfer of commodities from the production area to the consumption one; whereas commodity circulation channels refer to the ways, channels or patterns as a whole through which commodities are delivered from the producers to the consumers. Judging from the development history, producers and consumers directly contacted with each other, and the circulation was done in a single action, in a simple commodity circulation in which the productive force was underdeveloped, the scope of exchange was small, and the scale of circulation was limited. In other words, it is done through a direct channel linking both the producers and the consumers, or the united channel of production-sale integration. In the developed form, the commodity circulation is organized by merchants (commercial departments). The whole process of commodity circulation is completed by going through repetitious purchases and sales, and through a magnitude of circulation links. They are therefore called channels marked by commercial medium, or channels separating production from sale. However, things are not always the same when we proceed from the actual development of commodity circulation in some developed capitalist countries. For example, in capitalist countries such as the United States and Japan where the commodity economies are most developed, operators of some trades (mainly those concerning automobiles, electric home appliances, special means of production, which require a high degree of technical complexity and good after-sale services) are capable to organize their production as well as establish their powerful marketing system. This is because these trades are highly capital-intensive and their production scale is large. Moreover, this helps shorten the time required for circulation, and brings more profits to capitalists by reducing the amount of labor consumption in the process of circulation. It has therefore developed an organizational pattern of commodity circulation jointly supported by the industrial capital and the commercial capital. The production departments are responsible for the work or most of the work about the circulation of developed commodities. For instance, some production departments also engage in the wholesale business at the place of production and let the commercial departments complete the rest of the circulation process. Some also engage in the wholesale business at the transfer stations, and even at the place of marketing, and let the commercial department complete the rest of the circulation process. Some undertake the

entire wholesale business, and the commercial departments only deal with operation and retailing business. Some production departments even undertake part of the retailing business as part of their operations. For example, the Mitsubishi Electric Corporation in Japan not only has its modernized production system but also a nationwide, and even a worldwide, sales network. Moreover, the monopolized capital has controlled over most of the production departments in some developed capitalist countries, and supports an intensified mass production, thereby forming a number of production-supply-marketing trusts and large agriculture-industry-commerce integrated enterprises. This is a kind of cooperation based on a highly developed division of labor of society, rather than a simple combination of production and marketing. This type of commodity circulation, which integrates the production departments with the commercial ones in an orderly and united manner, is called the channel of production-sale integration.

To put it in a nutshell, the whole circulation process of commodities from the producers to consumers involves three forms of organizations: First, it is the united form of production-sale integration; second, it is the form of separating production from sale; and third, it is the form of production-sale integration. Various forms of commodity circulation lead the producers of commodities to go through long and short circulation processes, to undertake purchase and sale here and there, in local or remote areas, to deliver the commodities to the hands of consumers. This can be likened to the course of water which runs from its source and flows through various channels before enter into the sea or lake. People now have symbolized the flow and call it the channel of commodity circulation.

The links, as well as the capacity of the circulation, of commodity circulation are determined by the level of productive force and the characteristics of various goods. For example, it is better for the producers to directly sell to the consumers some fresh, perishable or bulky, fragile commodities, as well as commodities that involve highly complicated technology, that depend heavily on after-sale services or that are particularly produced for consumption by special factories. Even though a commercial medium is required, the lesser the commercial links the better. At the same time, the circulation links and channels are also greatly affected by different social systems and economic management systems. Under the capitalist system, capitalists blindly compete with each other and practice speculation in order to pursue profits. Commodities often have to undergo a winding course and to be resold again and again before entering the consumption area. Under the socialist system, this could have been done better. But China has long adopted a closed-type commodity circulation management system in which the distribution of commodities was carried out level by level in the form of mandatory planning in accordance with the administrative system and administrative regions. All commodities made by the industrial departments were purchased and

sold by the commercial departments under the state monopoly scheme. The case for agricultural and sideline products was the same, which were purchased and sold or allocated by the state-run commercial system and supply and marketing cooperatives. No industry was allowed to sell their goods at their own accord. No peasant was allowed to practice as peddler. Under the influence of leftist thinking, even acts of selling odd agricultural and sideline products by peasants in urban trade fairs were taken as a capitalist tail and were prohibited. Consequently, the state-run commerce monopolized the market. There was only one channel, and the situation of circulation was sluggish. Furthermore, the wholesale structure was duplicated. The circulation links were too excessive so that commodities were often shipped via a winding route, thereby greatly increasing the transport expenses. Following the 3d Plenary Session of the 11th CPC Central Committee, however, we have, in the wake of intensive development of economic structural reform, organized commodity circulation in accordance with the economic regions and adopted an open circulation system marked by multi-channels and fewer links. To have "multi-channels" and "fewer links" are the basis for a reasonable organization of commodity circulation in the socialist planned commodity economy. "Fewer links" here refers to the reduction of unnecessary commodity circulation links. Still, it will not help our production and consumption if we eliminate all of them indiscriminately, for we may block or even interrupt the circulation of commodities. Besides, each of the "multi-channels" is equally important. Judging from the social commodity circulation as a whole, most commodities have to be circulated under the organization of commercial departments. Under the socialist conditions, commercial departments exist as an independent economic department, undertaking the major task of organizing the commodity circulation. It is inevitable that in the process of social division of labor and production socialization, commerce becomes the major channel of commodity circulation in a modern commodity economy.

### III. Intensify Reforms, Enliven the Market

In the wake of rural and urban economic structural reforms following the 3d Plenary Session of the 11th CPC Central Committee, China has conducted a series of investigations, and achieved remarkable results, in the area of reforming the commercial circulation structure. However, we should realize that there are still many conflicts and contradictions in China's circulation system because the constraints of the old system are yet to be completely removed and some reform measures are not coordinated well enough. This is manifested in the following areas: The separation of regions and departments, as well as the phenomenon of regional blockade, seriously affect the formation and perfection of a centralized socialist market. The roles played by state-run, and supply and marketing cooperatives-run, commerce do not coordinate with the development of commerce run by town and township collectives, individuals and

private entities. There are two-tier pricing systems for some consumer goods so that the pricing mechanism becomes malfunctioned and the market development suffers. The linkage between the state and enterprises is not severed, so that the state-run commercial enterprises cannot react sensibly to the market signals. Under the conditions of opening up and invigoration, their level of market management falls behind others. Loopholes are found everywhere in the circulation area. The order of the market is rather confused. There is no standardization of market behaviors so that there are often the phenomena of illegally buying up goods, speculations, hiking prices and doing so in a disguised way, selling counterfeit commodities, and so on. The only solution to these problems is to intensify reforms rather than turning to the old practice of natural economy or product economy.

In the light of China's problems concerning the development of its commodity market, we should emphasize the following points when intensifying our reforms:

First, we must give full play to the roles of market mechanism, further reduce the scope of mandatory planning and distribution, and expand that of guidance planning and market readjustment. For commodities which are still subject to planned management and distribution because of shortage and other reasons, we should, on the basis of developing and increasing their supply, gradually adopt the principle of opening up in the wake of alleviating the contradiction between supply and demand, so as to eventually realize the free circulation of consumer commodities under the macroscopic readjustment and control of the state.

Second, we should continue to do well in reforms of the pricing system and the price management structure; should give full play to the roles of pricing in readjusting production and circulation, and in guiding consumption; and should, under the premise that it is bearable by the state finance and the masses and that the general price level does not fluctuate, gradually change the pattern of pricing in accordance with the principle of taking a relaxed attitude while making readjustment, and practice the market price under the guidance of the state plans.

Third, we should improve the circulation organizations, and give play to the dominant role of state-run commerce in the varied economic arrangement. State-run commercial enterprises are the main body of China's commodity market, and is a force on which the state depends to effectively readjust the market. Because of structural defects and the lack of coordination in the reform measures, however, the state-run commerce is less competitive, neither bold nor quick in response, and inefficient in a highly competitive market in which many economic elements coexist. Therefore, we should further separate government administration from enterprise management, and create conditions in terms of finance, taxation, pricing and credit for a fair competition with

the state-run commerce. At the same time, we should start our work by tapping the potential power of enterprises, perfect their operation mechanism and make state-run commerce, as well as supply and marketing cooperatives-run commerce really possess the urge and drive for self-development and self-perfection.

Fourth, we should strengthen our legal construction and perfect the market management. Recently, we have put an end to the monopolization of the market by state-run commerce, and the ossified market situation because we have implemented the principle of allowing the state, collectives and individuals to go all out at the same time. The market has become prosperous at an unprecedented scale in the wake of the development marked by various economic patterns, multiple circulation channels and varied operation modes. As the control measures for the market still fall behind, there are no rules for observation in the market. The market in many places is a mess so that the interests of producers and consumers are undermined. For this reason, we must strengthen our legal construction, so that we can promote prosperity and development of the market in a good and orderly manner.

#### **Official Positions, Preferential Treatment, and Responsibility**

*HK050604 Beijing HONGQI [RED FLAG] in Chinese No. 9, 1 May 88 pp 44-45*

[Article by Guo Qingchen (6753 1987 2525)]

[Text] Official positions have now found special favor in people's eyes. On many occasions, they have been a topic of conversation. Whenever people who have not seen each other for a long time meet in the street, the first thing they say must always be: "Hello, how are you? What is your present official position?" Some people are even more straightforward and say: "It is said that you have been promoted to a position at or above the departmental level, have you?" Some are pleased to hear such a question because they have held satisfactory positions; but others are unhappy to hear it because their present posts are not satisfactory to them. What a pity, the official positions of some people have become the cause of their moods.

A veteran cadre engaged in personnel affairs said: Many cadres who had been promoted right after liberation often refused to accept the promotion mainly because they were afraid that they could not prove equal to the new leadership post assigned them and would cause a big loss to work due to lack of experience and ability. For this reason, when a cadre was promoted at that time, it was necessary to convince him. However, in recent years we have rarely heard of such cases. Now very few people talk about the difficulties in their work after they have been promoted. On the contrary, many are often disgruntled because they have not been promoted. The reason is that some people no longer regard their posts as their responsibility but a kind of preferential treatment.



In an official examination or an intelligence quotient contest, if a question such as "what is the real meaning of an official position?" is raised, probably no one would answer that "an official position means a kind of preferential treatment." However, in real life we can see that official positions are often regarded as certain preferential treatment. From wages to housing and from use of car to making an on-the-spot investigation abroad, your treatment mainly depends on your official position. The higher your position is, the better your treatment. In principle, a person in a lower official position can also enjoy a high political standing and is respected, but in reality it is not so.

Not long ago it was suggested that the sense of being an official "be blunted." Of course, the suggestion sounds well. However, attractive preferential treatment cannot "blunt" the sense of being an official for some people but "strengthen" it. The reason is very simple: The moral demand for "blunting the sense of being an official" cannot be well matched with all the attractive preferential treatment given to an "official." Under such circumstances, it is inevitable for some people to see only the preferential treatment related to an official position but not the responsibility related to it. They want only to be an "official" who can enjoy preferential treatment, not to be an "official" who assumes responsibility for his work.

Then, does this mean that what an "official" has to do is only to assume the duties of office? I do not mean that. However, for some years there have been "certain special preferential treatments for an official position." That is why people think no other jobs are better than an "official position." There is no doubt that there are quite a few drawbacks in our cadre system. For example, the official positions of cadres are so closely linked with their preferential treatment that as long as they are promoted, their treatment will immediately be improved. Then what about the relationship between an official position for a cadre and his responsibility? Such a relationship is just like an elastic rubber band. If a cadre is slack in work but he does not commit such serious mistakes that he should be demoted or even fired, then he can still fully enjoy the preferential treatment which is based on his official position. But he never thinks that he should fulfill his duties as he enjoys such treatment to the letter. When a cadre is promoted, he is often put under some stress. As a result, some cadres who fail to fulfill their duties can still be promoted. This imperceptibly makes an official position equal to a certain kind of preferential treatment to a cadre. In addition to this, if a cadre who has no professional knowledge at all goes abroad to "make an on-the-spot investigation," certainly he could do nothing useful for the people from the "investigation." However, he can still go abroad for "investigation" only because he is a cadre at a certain "level." In this case, going abroad for "investigation" is also regarded as one of the preferential treatment given to a cadre. Furthermore, even if a cadre is not an "official" now, he is still given all kinds of preferential treatments

just because he has been an "official." All this no doubt will attract people's attention only to the preferential treatments given to an "official" and encourage some people to struggle to be an "official" merely for those preferential treatments.

A certain official position means a certain responsibility. It can be said that the more responsibilities you assume, the greater contributions you can make. The general principle of "to each according to his work" gives no cause for much criticism. But the thing is that "special preferential treatment" for an official position should not be considered as a system nor should we think that an official position has nothing to do with its duties. No doubt it is necessary to link responsibility more closely with an official position. It seems there should be a certain mechanism which can restrict officials by a certain external force and compel them to work hard. First of all, whenever people think about an official position, they should be encouraged to think whether they are competent at the job. This should become one aspect in the reform of our cadre system.

**Enlightenment from the Fallen Lord Ximen Qing**  
*HK0206154088 Beijing HONGQI [RED FLAG] in  
Chinese No. 9, 1 May 88 pp 45-47*

[Article by Mu Hui (3668 1920)]

[Text] With the prosperous development of commerce in the cities, urban residents began to occupy a certain position in story-tellers' tales, and their thinking was also more or less reflected in those tales. For example, from "San Yan" [short for "Stories to Awaken Men," "Stories to Enlighten Men," and "Stories to Warn Men" published in the 17th century during the Ming Dynasty—JPRS] and "Er Pai" [short for the two books of "Amazing Stories" of the Ming Dynasty—JPRS], we can see that the urban residents were seriously influenced by the feudalistic ideology. "Rich people never dare to sit under the eaves." The merchants in those stories did not need to take great risks. Quite different from Robinson [Robinson Crusoe], they were always able to turn ill luck into good and benefit from misfortunes. After they earned large sums of money, instead of making efforts to expand production, they ran pawn shops and bought farmland and regarded all these as their "fundamental investment." In "Jin Ping Mei [a novel of the Ming Dynasty—JPRS]," Ximen Qing was an adventurer. He always cherished the idea of expanding business, never thinking of buying a piece of farmland, except for the land near his ancestral grave, which he had bought from a widow with 250 taels of silver as a place for his wife and concubines to play after visiting the grave. This hooligan, who was originally owner of a small herb shop, became a tycoon in a few years. Before he died, he was able to give Yue Niang about 100,000 taels of silver. It is appropriate to say that he was a typical "speculator" of the Ming Dynasty.

The reason he was able to get rich so quickly was that he was always thinking of business. Sometimes he also spent much money on prostitutes. However, he had five concubines, one of whom was actually a maid in his kitchen. But three other concubines had brought to him quite a large amount of dowry. A more important business principle for him was to link business with politics. He was actually taking a road of "money—power—still more money."

Ximen Qing knew very well that power could bring him money. When he was still owner of small herb shop, he began to "have a hand in some public affairs of his county so that he could establish connections with government officials through handling such affairs." This was an important and effective means to attain his goal. In the extremely autocratic feudal society, "the officials could say whatever they pleased." When one had power, one had everything. However, since the commodity economy was undeveloped at that time and doing business was considered to be "inferior" or something done by the people of lower society, without the backing of government officials, it would even be difficult for businessmen to subsist, not to mention their development. By "establishing connections with government officials," Ximen Qing was not only able to have Wu Song exiled to Mengzhou and order his "brothers" to give Jiang Zhushan, who dared to compete with him in business, a good beating, but was also able to get two beautiful girls, Meng Yulou and Li Pinger. The dowries Meng Yulou brought to him included "2 beds from Nanjing, 4 to 5 suitcases of clothes for the four seasons, more than 1,000 taels of cash silver apart from gold and silver ornaments, and some 300 bolts of fine cloth." Li Pinger was even richer. According to Dai An, one of Ximen Qing's most trusted persons who knew the inside stories, "apart from silver, she had countless gold, pearls, jade, and jewels."

Thus, Ximen Qing had more money to expand his business, and more money to "establish connections with government officials" as well. His "power resources tapping company" was getting more and more prosperous. He was willing to spend money to fawn on government officials at all levels, from the No. 1 scholar Cai and Inspector-General Song to Grand Tutor Cai, who was almost the highest official at that time, second only to the emperor. To this end, he even created a fallacy, saying that money "likes to move rather than to be static" and that "it is criminal to store up one's wealth." To put it bluntly, he knew very well that without spending small sums of money, large sums of money would not come. On Cai Jing's birthday, he sent him expensive gifts, including silk and brocade python robes, jade belts, gold, and pearls. Some people calculated that those gifts were worth about 1,000 taels of silver. As a return for this expense, he was appointed deputy chief of a section of the department of punishments of Shandong (and was later promoted to section chief) and got many other benefits in business. In one case alone, pleading with Cai Jing for mercy for a salt merchant Wang Sifeng,

he got 2,000 taels of silver. He benefited a great deal from making the acquaintance of the No. 1 Scholar Cai and Imperial Censor Song. An example of this is that "he was one month earlier than the others" in getting the 30,000 yin [a Chinese unit in weight measurement—JPRS] of salt produced in the Huai region and got 10 carriages of satins, which were worth some 100,000 taels of silver and "which were taxed as tea leaves and other ordinary commodities." "Only a total of 30.5 taels of cash silver was paid." If he did not die of greed too early, he would surely receive the patent right for the procurement of antiques in various provinces according to an imperial order to go in for large-scale constructions after the building of Genyue [an earth project built during the Song Dynasty—JPRS]. If he succeeded in this business, he would get at least a profit of more than 100,000 taels of silver. His wealth thus grew rapidly by means of "power," and silver coins were pouring into his house like an irresistible surging tide.

Ximen Qing was able to get richer and richer and even make up to Grand Tutor Cai through "speculation." This certainly shows that he had some abilities and methods. However, a more important reason is that he was born at the right time. The novel depicts what happened in the Song Dynasty, but the real background is the Ming. Cai Jing and his followers in the Song Dynasty were certainly very bad people, but Yan Song, the "Cai Jing" of the Ming, was even worse. In the Ming Dynasty, government officials could even openly take bribes. The only difference between good and bad officials was that some had "taken too much" while others had not. In the reign of Emperor Chongzhen, Han Yiliang, an official in charge of household registration, even openly discussed with the emperor at the imperial court the necessity of taking bribes and the so-called suitable degree of bribery. He was thus praised by the emperor. From this we can imagine what would have happened next. There were only one or two honest officials in those years, such as Hai Rui, who did not even have enough money left to buy himself a coffin before he died. These honest officials were then ridiculed as "feigning" fools since they had offended many others. After Li Wei, duke of Wuqing and grandfather of Emperor Wan Li, took charge of the imperial warehouse in the capital city, he began to take bribes. Provided he had some private gains, any inferior local products to be turned over to the state could be changed into "superior products." The quality of army uniforms he received was so poor that even his grandson and daughter, that is, Emperor Wan Li and Empress Dowager Ci Sheng, wanted to give punish him severely. There was also a scholar, Zhang Ju by name, who often emphasized practicing economy and even put forth some theories and worked out some regulations on it, looking rather serious about the matter. However, when he returned to his home town to attend his father's funeral, he sat in a luxurious sedan chair, including a bedroom and a reception room, which was carried by 32 bearers. He spent 10,000 taels of silver to build a pavilion for collecting the imperial writing brushes. This kind of high consumption

did not match the low-pay system of the Ming Dynasty (according to which the average income of a minister was only about 152 taels of silver a year). Of course, he got all his wealth with the assistance of officials like Ximen Qing. In short, that was a politically dark society in which the official circles were corrupt and incompetent and morality sank low. "If you have money you can even make the devil turn your mill." Was Cai Jing not a devil? Of course, there was no plain sailing for Ximen Qing as well. Through the marriage of their children, he became relative to Yang Jian's henchman Chen Hong, trying to establish connections with Yang Jian. However, Chen Hong got intolerious troubles after the downfall of Yang Jian. On hearing the imperial edict, Ximen Qing "was as scared as if the soul had left his body." Then he bribed Cai You with "500 dan of rice" and got a letter of introduction from the latter to see Li Bangyan, the prime minister. With another 500 taels of silver, he made Li Bangyan change the name of "Ximen Qing" on the list of members of the Yang Jian clique into "Jia Lian." Apart from getting himself out of trouble, he also won a large sum of money: Many cases of jewelry which Chen Hong's son brought to his house in order to seek asylum were turned into his property. After taking a bribe of 1,000 taels of silver and with the assistance of an official in charge of judicial affairs, he harbored a murderer Miao Qing. But this was discovered by inspector-general Zeng Xiaoxu, who impeached them. However, they were protected by Cai Jing, and Zeng Xiaoxu alone was punished. Zheng Zhenduo was right to say: "'Jin Ping Mei' is a reliable guide for studying the dark side of Chinese society through literature." In this book, bad people and evil deeds are running wild, while honest officials and people are running into snags and being foiled everywhere. It is really ridiculous and absurd.

A more soul-stirring remark of Zheng Zhenduo is: "Those figures described by 'Jin Ping Mei' are still living today." True enough, people like Ximen Qing did not only exist in the Song Dynasty and the Ming Dynasty. They also existed in 1933 when Zheng Zhenduo wrote this. Normally, there should be no more people like Ximen Qing in our society since earth-shaking changes have taken place over the past 50 years or so. Unfortunately, however, is it not right for us to say that what Zheng Zhenduo said is still partly applicable today?

Could it not be a fact that "speculators" of all shades, big and small, civil and military, still exist today? A very important measure for the contemporary "speculators" is still "establishing connections with government officials." Everyone understands why they should do so. The question is why can they "establish connections" with the socialist officials. Not only the common people in China, but also foreigners, including some foreign businessmen, hate to see this fact. They all detest it. Obviously, it is no longer a question of "one finger." Foreign businessmen also know very well that without spending small amounts of money, large sums of money will not come. By presenting a color TV set or a car or by

recommending someone's child for admission to a foreign school, it is easy to make a deal. Why not go ahead with it? However, they feel disgusted by that. Of course, they are not concerned about protecting China's prestige or preserving the purity of socialism. But why should they hate it? This is a good question for us, especially for those "public servants" who are "exploring things at various levels," to think over. It has nothing to do with "worshiping and having blind faith in things foreign" but is a matter concerning the dignity of the Chinese nation.

As is described by "Jin Ping Mei," when Imperial Censor Cai went to Ximen Qing's home to collect donations (or to seek assistance and support as it is said nowadays), the latter did not only present him generous gifts but also got two prostitutes to serve him. Being "overwhelmed by the unexpected favor," the imperial censor said again and again: "I am afraid I cannot accept all this." Then, in a refined manner, he told Ximen Qing: "I am afraid I am not as capable as Anshi [referring to Xie An, who was styled as Anshi—JPRS] was, but you are as gifted as Wang Youjun [an ancient Chinese military title, then became another name Wang Xizhi, one of the most famous calligraphers in Chinese history—JPRS]." Moreover, he felt a strong urge to write poetry and wrote some for the unbearably vulgar prostitutes (only God knows where he copied the poems from). He compared himself to Xie An and Ximen Qing to Wang Xizhi and even compared the prostitutes to myrtle goddesses, as if he "were visiting Tiantaishan as Liu and Ruan." What fulsome flattery! Nevertheless, as Censor Cai was once the No. 1 scholar, he certainly knew something about Xie Anshi and Wang Youjun and could recite a few verses. This is somewhat different from certain people who know nothing at all except extorting or begging money from others. People say that this is a satire on Censor Cai. It really is. However, there are actually more people who deserve the satire.

Of course, our time is essentially different from Ximen Qing's time. Many speculators have failed and many corrupt and venal officials have been exposed. Such news has often been reported in our newspapers. Although we cannot ensure that things such as Zeng Xiaoxu being punished for upholding the truth will never happen, there will surely be an increasing number of cases in which Inspector-General Zeng, or even common people, win a lawsuit against Ximen Qing. This is what we have placed our hopes on. A pressing task at present is to rectify the party style, improve social mood, and establish an honest government. We are allowed only to succeed, and not to fail, in this work. This is a demand of the people.

Zhang Zhupo said: "Many people have read 'Jin Ping Mei,' but few of them know how to read it." This is quite true. One knows how to read the book only when one knows how to draw lessons from Ximen Qing.



**Challenging the Sickness of 'Relations of Personal Dependence'—Reading 'Giving You a Red Carpet'**  
40050279k Beijing HONGQI [RED FLAG] in Chinese  
No 9, 1 May 88 p 48

[Article by Liu Runwei [0491 3387 3634]; "Giving You a Red Carpet" was originally carried in KUNLUN, No 5, 1987 and was reprinted in XIAOSHUO YUEBAO, No 11, 1987]

[Text] What a strange occurrence! A petty individual business operator had the audacity to brazenly go knocking on the door of a surprised veteran general and wanted to buy his military parade uniform which symbolizes reputation, authority and prestige. Was this a "violation of etiquette and overstepping the mark" or was it "justified rebellion"? In fact, it was neither. We say that this was a challenge to the sickness of "relations of personal dependence" and its roots lie in the contradictory movement of contemporary China's politics, economics and culture.

In "Critique of Political Economy" (drafted in 1857-58), Marx put forward his theory of the three major social forms: "Relations of personal dependence (initially produced quite naturally) are the first social form....personal independence founded on objective dependence is the second great form....free individuality based on the universal development of individuals and on their subordination of their communal, social productivity as their social wealth is the third stage." Proceeding from this theory, it is not difficult to see that after the socialist system was established, our country's citizens had an opportunity to enjoy rights of equality and freedom with which capitalist countries could not compare and an opportunity to enjoy the "universal development of individuals." However, as the commodity economy of old China was extremely backward, and because for a long period after the founding of the PRC, the development of the commodity economy was overlooked, this good opportunity lacked a firm economic base. Thus the feudal patriarchal clan system and concepts which the old social forms produced were easily able to make incursions into our social organism, and in many social environments the "vestiges of relations of personal dependence" were retained. In the novel, the reason the general's wife was able to make the arrangements she saw fit was that Zhang Wen, his mother and stepfather, being low-level people, were in a position of dependence upon her. While this action of bestowing favors was motivated by the best of intentions, it had as a precondition an indifference to the dignity and honor of those people who received the favors. At the same time, a subconscious flaunting of her own power cannot be denied. The result was that although Zhang Wen and his mother were saved from starvation, they were thrown into the bitter sea of an unhappy marriage which she had arranged. After new changes occurred in history and the socialist commodity economy began to come alive, Zhang Wen who had almost been turned into a wandering tramp, became a very wealthy businessman. At this time, he no longer

existed simply as a person with "relations of dependence," but began to show "personal independence founded on objective dependence." The change in his economic position and his relative independence in personal relations, naturally encouraged him to want to climb to higher levels. He wanted to challenge the "relationships of personal dependence" and recapture his dignity and honor which he had lost through his relationships!

The sad thing was he could not recognize the political and economic factors which enable "relations of personal dependence" to survive. Thus, he was unable to consciously pool efforts with the rest of society in getting rid of the root cause of these relationships. Rather, his mentality was manifested as Shylock-type actions of revenge. In terms of their psychological nature, these actions were the narrow envy of the small private owner which has avarice as a deep structure. From this we can see that effectively suppressing the negative effects which are brought by the commodity economy, so as to lead to new concepts among the individual operators and thereby achieve the transcendence of the narrow consciousness of the small-scale private owners is a necessary link in fostering a large number of new-type entrepreneurs and business people.

Let us now look at the specific circumstances of the "challenge." When the luster from the veteran general's established family and the radiance from the individual operator's money come into collision, the state of mind of the parties involved becomes unbalanced. The old wife, on the one hand wracked her brain about how to restore her family's tarnished reputation, and on the other hand thought long and hard about countermeasures. The veteran general, whose honor had been subject to abuse from Marshal Zhao Gong was grieved and indignant. The daughter Ganping, although able to maintain the restraint of an aristocratic family, was not unmoved by money. Wei Bo, the good son-in-law, completely lost control in the face of money. Zhang Wen, whose repeated attempts at revenge were unsuccessful, then began to feel his own wretchedness and lowliness. However, families with status and money do not forever remain in antagonistic positions. The privileges of families with status can produce money while in many situations, money can buy the rights of families with status. At the end of the story, was it not Wei Bo who used his power to obtain a red carpet through his connections? All of these examples manifest the obstinacy of "relations of personal dependence," but also show the power of the pounding of the commodity economy which cannot be held back. Thus, this work is a model in terms of recognizing the cultural, social and psychological characteristics in a time of change between the old and the new economic and political structures. In the future historical process, although it will be difficult to avoid relative imbalance between the material and the spiritual, there must be no deviation from the correct track toward the third social form of "universal development of individuals." The logic therein is extremely

simple: Although our economy is a commodity economy, it is, after all, socialist.

**Concurrently Being Plant Director and Party Secretary Is Not Conducive to Separation of Party and Government Work**

HK2805060888 Beijing HONGQI [RED FLAG] in Chinese No 9, 1 May 88 p 49

[Article by Zhao Qingshu (6392 7230 2885)]

[Text] In the overall plan for political restructuring put forward at the 13th party congress, the first point is to separate party and government work. Through exploration and practice over the past few months, this work has yielded initial results. However, in many units, especially in some enterprises, the previous practice of "substituting party for government work" has been turned into one of "substituting government for party work," with plant directors concurrently serving as party secretaries and administering overall work. This practice has many defects:

1. It is not conducive to the separation of party and government functions. The basic function of a plant director is to exercise unified leadership over, and to take full charge of, production, operations, and management in the enterprise. The basic function of a party committee is to grasp well party building, make a success of ideological and political work, exercise ideological and political leadership over the enterprise, support the plant director in assuming responsibility for overall leadership, and genuinely play the role of guaranteeing and supervising the implementation of party and state policies. The previous practice of failing to separate party and government work, of substituting party for government work, and of the party committee taking over administrative work was wrong; the current practice of a plant director serving concurrently as a party secretary, which in fact means the plant director taking over the work of a party committee, is also inappropriate. The separation of party and government work includes the separation of functions and powers, as well as organizations and personnel. Only when a plant director and a party secretary are separated genuinely in terms of organization and personnel is it possible to ensure that each attends to his own duties.

2. It is not conducive to bringing into play the role of a party committee in guaranteeing and supervising the implementation of party and state policies. The relationship between an enterprise party committee and an enterprise or plant director is one of guarantee and supervision, namely, guaranteeing and supervising the

implementation of party and state principles and policies. Guarantee and supervision are both united and inseparable. If a plant director serves concurrently as a party secretary, this may help bring into play the guarantee role of the party committee but it does not help bring into play its supervisory role. This is because the practice of one supervising oneself does not have an objective guarantee. The practice of a plant director concurrently serving as a party secretary actually stresses the guarantee role of the party committee but neglects its supervisory role. This will lead inevitably to the weakening of the guarantee and supervisory role of the party committee.

3. It is disadvantageous to the party committee to coordinate the relationship between a plant director and the mass organizations, such as the trade union. A plant director and the trade union have major common targets. However, because their basic functions and angles of approach different, it is difficult to avoid contradictions. As the representative of the interests of workers and staff members, the trade union should struggle against the bureaucratic style of infringing upon the legitimate interests of workers and staff members. Once a contradiction occurs between the trade union (the masses of workers and staff members) and a plant director, the party committee can act as a coordinator and do ideological work between both parties so that the problem can be solved properly. If the secretary of a party committee is concurrently the plant director, representing both the party committee and the administration department, it will probably be difficult for him to conduct convincing and effective work of coordination.

4. It is disadvantageous to a plant director doing his own job well. With the institution of the plant director responsibility system, a plant director exercises overall leadership over, and takes full charge of, production, operations, and management in the enterprise. According to the provisions of the "Work Regulations for Plant Directors in Enterprises Under the Ownership by the Whole People," a plant director should attend to eight major duties, which is an arduous task. Under such circumstances, how can a plant director have the energy to manage party affairs? If a plant director is required to serve concurrently as secretary of the party committee, it will surely divert his energy, making it impossible not only for him to concentrate his energy on production, operations, and management but also for the party committee to carry out its work well.

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