

# China Policy Study Group

# BROADSHEET

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## CONTRADICTIONS SHARPEN

This is no economic blizzard that sweeps the capitalist world; it is an earthquake that opens new cracks in the foundations of capitalism, causing new gaps in its superstructure.

To shore up the tottering financial institutions that have been created during the last quarter of a century the capitalist leaders have been forced to impose stringent state control in key areas. The state machine must more and more exercise direct responsibility; the rapid expansion of state capitalism is both structural and irreversible, creating new relationships of power among the rival capitalisms. Their representatives can find no agreed solutions to the disasters that link them, because each projected remedy or palliative involves an unacceptable shift of power between them.

In this situation U.S. imperialism, in its role as leader of the Western world, has three main objectives:

To retain domination of Western Europe,

To prevent the Soviet Union from taking advantage of Western weakness by moving in to replace the U.S.,

To redouble efforts to suborn, intimidate and divide the Third World.

Every current proposal made by the

U.S. Government on such key international issues as oil prices, recycling of O.P.E.C. funds, energy, monetary disequilibrium, the arms race, detente, is intended to strengthen U.S. imperialism at the expense of Western Europe, Japan and the Soviet Union.

Western Europe, the comparatively infant institutions of the E.E.C. buffeted by the economic tempest that surrounds it, is paralysed by its own timidity and contradictions. The choices are beginning to narrow. They may be summarised thus:

To accept subordination to the United States,

To let each country organise bilateral deals with the stronger O.P.E.C. countries,

To team up with the U.S.S.R., breaking away from the U.S.

To unite to avoid subjugation by either of the superpowers.

As the balance of power within the capitalist world thus teeters uncertainly there is one fundamental difference between today's world and yesterday's: the growing awareness, confidence and political experience of the Third World, its resistance and unity strengthened by the presence of socialist China. The struggle for the international redivision of power is taking on a fundamentally

new quality; the balance of world power has decisively shifted.

The political consequences of the capitalist economic crisis do not affect the international scene only. As finance capital finds its power to manoeuvre restricted and its exploitation of the Third World increasingly difficult, it has no alternative but to try to intensify the burden on the working people. Adverse balance of payments, inflation, slump, increased real expenditure on armaments, unemployment—all attempts to solve these problems not only impose fresh restrictions on living standards but, more significantly, erode liberties won by the working people over centuries. Class struggle on a new scale is certain.

The development of state power which is state capitalism may indicate the new forms in which fascism will confront the working class and its allies in the coming years.

Everywhere oppression creates resistance, and the resistance most feared by the ruling class will be that led by a working class armed with the revolutionary theory developed by Marx, Lenin and Mao. Sooner or later one of the alternatives posed by Mao Tse-tung will be unavoidable: either revolution will prevent war or war will lead to revolution.

## CAPITALISM IN CRISIS

*Political and economic happenings in the West are of great significance for all who are following the course of the Chinese revolution and the world revolution of which it is a vital part. The Chinese themselves are constantly drawing attention to the developing crisis in the capitalist world and, by implication, to the decisions facing the working class there.*

*We are printing below an estimation of the crisis in the West. Next month we shall consider some of its consequences for China.*

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Though the last fifty years have seen capitalism resort to many expedients, both economic and political, to weather successive crises, confidence in its survival has been eroded at an unprecedented rate in the last decade and now stands at its lowest point since World War I. The undermining of confidence in the system entered its most dramatic stage in the 'seventies

with the breakdown one after the other of a series of long-standing conventions, including the international monetary code established after World War II and the terms on which the imperialist world has in the past been able to exchange its manufactured goods for essential primary products from the developing countries, most conspicuously oil.

The paradox of a system incapable of resolving its contradictions nevertheless outlasting the prophets of its doom is still with us. But there are good reasons for thinking that its critical testing time has begun. The signs and portents of the last few years, culminating in general inflation and the growing impotence of capitalist industry to operate without state support, suggest that the decisive crisis of the system is no longer a romance of the future. Its beginning is here. It is also inseparable from another paradox: that of a system itself mortally ill controlling the major part of the world's transactions, so that those who have left capitalism behind still have to anticipate its

fevered moves when making their own decisions. This is now the position in which China finds herself.

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There have been plenty of warnings in recent years about what was likely to happen in particular countries if existing economic trends continued. Most widely quoted have been those about Britain. Successive surveys have built up a picture of the country which pioneered the capitalist system collapsing within a decade to the lowest living standard in Europe and beginning to cut back even essential social services. One by one the more

The extent to which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the heavy hand of the cartels. This intensification of contradictions constitutes the most powerful driving force in the transitional period of history.

Lenin: *Imperialism, the Highest State of Capitalism.*

vulnerable capitalist countries are shown to be unequipped—with the structure they have inherited—for survival any longer as prosperous states. Held up hitherto as examples of 'the affluent society', they now face the fate of fallen empires of the past, with all the consequences in the form of submergence of the less privileged sections of the population.

If it was possible until the last year or so for those in the capitalist West to console themselves with the reflection that social forecasts are only relative, that the pioneers must sooner or later be outclassed by others staging a later economic miracle, that comfort has now been rudely dispelled. The outlook for capitalism as a whole—and no longer in the long or medium term but in the short term—has deteriorated abruptly. Not all the countries affected are living on borrowed money, or running gigantic trade deficits like Britain, but all are now swept along in the avalanche of inflation, with reminders at every turn that if they try to extricate themselves by cutting down demand it will not be costs and prices that will fall but the level of economic activity. Stagnation gives way to slump while inflation remains.

World capitalism's most unmanageable inflation to date did not start with the five-fold increase in oil prices. It was greatly accelerated by this, as it had been previously by the rise of other commodity prices in the wake of real and man-made shortages and the resulting spiral of speculation. Even before this an important contributory factor had been the unsuccessful attempts to revive investment by stimulating consumer demand instead of initiating new investment, with a consequential aggravation of payments imbalances. Action which entails sucking in more imports in an effort to switch into exports is inevitably a prescription for inflation. Once inflation is under way the pressures it generates, aggravated by fear of a slump, force the capitalists to try to increase the rate of surplus value. The class struggle, permanent under capitalism, is exacerbated and becomes a factor in inflation.

### Desperate remedies

To the despair of governments and bankers alike inflation and recession proceed simultaneously. 'It is a sombre picture', said the British Chancellor in his last Budget speech, bringing 'the risk of mass unemployment' for 'many other governments besides our own . . . Until collectively we come to terms with the challenge . . . there is grave risk that we shall once again be plunged into a depression on a scale as great as we encountered 40 years ago.'

'Back to the 'thirties!' echo in chorus distracted investors and owners of businesses faced with bankruptcy because they cannot raise the ever-increasing funds needed to finance further production. 'Retrenchment!' cry the advocates of sound finance. But what if the retrenchment does no more than add to the total of unemployed at the very moment when fall-away in consumer demand is threatening the motor and other industries and the

need to make further inroads in export markets is more urgent than ever? Retrenchment alone is no answer, not least because the predicament in which the capitalists find themselves this time is different from any situation they have known previously. In an inflation-led crisis the financial structure gets out of phase with production and disaster strikes first in the garb of illiquidity—lack of funds—instead of in the garb of unsaleable production.

Financial capital and industry fall apart once the majority of industrial investment projects cease to look creditworthy. When this happens industrial development stalls. The financial institutions alone hold the key in this situation, and above all the central banks. These move in as the arm of finance-capital responsible for restoring control over a financial system that has got out of hand. If it were possible to convert profits into some other form of assets whose value would keep pace with inflation and could be realised on the market at any time, large businesses would no doubt be able to fend for themselves. But they have already seen sharp falls in equity and property values, and it is by no means certain that these assets can be turned into cash at will. Prices of industrial raw materials also are falling, closing another option to those who want to protect the value of their assets by holding them in the form of goods. Inflation has acquired a momentum that makes every step hazardous. Nothing is safe except a guarantee of cash or the equivalent when the emergency arises, and no one can give that but the state itself.

Thus in the U.S. there is a scheme for Treasury-guaranteed loans to persuade 'otherwise sound companies that cannot get loans on their own in a liquidity crunch' to go on investing. Within days of each other the French and British governments are seen getting deeply involved in the reorganisation of their respective motor industries. In Britain the former Industrial Reorganisation Corporation is replaced by the wider-ranging National Enterprise Board 'for creating and financing investment where more generalised financial policies have failed', in the Prime Minister's phrase. This is presented as an extension of the Keynesian spur of supplementary public investment from the area outside private industry into that of private industry itself. In reality it goes further. The appointment of one of the kings of capitalist industry to initiate this reclamation scheme is symbolic of a feature of this present crisis: the blurring of the distinction between monopoly-capitalism and state-capitalism. The state itself now has to determine where and how investment shall proceed.

### Contrasts in role of state

State control of the economy as a means of eliminating the trade cycle is no new idea. But state control, prior to the Chinese example, has not had a distinguished record as a means of preventing inflation. China has shown how to prevent inflation by letting the flow of agricultural surplus determine the rate of investment in light industry, and the rate of accumulation in light industry in turn control the rate of accumulation in industry. Inflationary pressures generated by any shortfall in agriculture are absorbed by the increasing *decentralisation* of the domestic economy, with each region and locality given the maximum encouragement to plan for itself on the principle of self-reliance. Self-reliance does not mean self-sufficiency; the state still has a role both as buyer and supplier, but a greatly reduced one, with the localities and regions first operating their own system of checks and balances. The idea that adjustment and reallocation must be induced by cash differentials and the haggling of the market is foreign to this system. It is not only unacceptable in principle but would now be found wasteful, cumbrous and chancy.

Nothing could better highlight the contrast between a market economy—however much stage-managed by the state—and the self-sustaining socialist development of China than the present crisis of capitalism. The lesson is not being lost on other developing countries or on those observing the problems of the developing world; nor will it be lost on the working class in the

countries successively smitten by capitalism's most desperate crisis to date, or by many former apologists for the system.

An outside observer looking at the situation of the Western economies today does not see symptoms of crisis the same as those remembered from the 'thirties. There is no catastrophic collapse of domestic markets. Consumer demand has been maintained—when no longer by growth in the economy, then by reflationary measures that tide the economy over but increase the severity of its most visible present disorder, inflation. This application of Keynesian anti-slump policy by means of action on the monetary stream itself is the culmination of successive measures directed to avoiding a drastic cut-back in production to overcome capitalism's basic production/market imbalance. Frequently—and nowhere more conspicuously than in Britain—the result has been not to stimulate investment but to boost demand for services, and for imports. In general, when consumption expenditure rises the same proportion of the rise tends to go to imports as to manufacturing industry (in Britain around 20 per cent). It is easy to see how in these circumstances what would formerly have shown itself as unemployment and unused capacity today appears in the form of escalating trade deficits. While governments borrow with one hand to meet the

obligations created by an adverse payments balance they pay out money with the other to keep stricken industries afloat.

Thus not just in one country as in the past but in all those embraced in the market economy an endless succession of new debts is created, each tending to be larger than the last. Expansion of the credit structure increases the volume of money claims and the growth of money values far outstrips real growth in the economy, which may even be negative. Runaway inflation begins to hover like a ghost behind the whole edifice of capitalism.

The longer inflation goes on the greater the instability of the system. The unanswered question for other countries in a position to control the distribution of their foreign trade is whether the action taken by the West to deal with its crisis will hit already weakened countries like Italy and Britain harder than the others and seriously reduce their trading potential. Will all of them continue to be reliable trading partners? This is certainly part of the assessment that China now has to make. At present half of all her foreign trade (which has doubled in the last five years) is with the advanced capitalist countries. The effect of capitalism's present crisis on trade with China will be studied next month.

## SOCIALIST COMMUNITY LIFE

Coming from the West, the first-time visitor to China is struck by the down-to-earth, 'human' atmosphere of her cities. He is impressed by the difference between his own stiflingly commercial environment and the absence in China of all those lures intended to stimulate the craving for excitement, luxury and possessions. In Hong Kong, for example, assailed by exhortations to buy, he pushes his way through streets crowded with hurrying cars and anxious people; once in China he sees people relaxed but lively, purposeful but not rushed. The shops are open late for workers and are full of goods at prices he learns have not risen for years, some having come down. Children wander in and out at will and stop to gaze at toy displays in the windows. All are dressed simply but comfortably and bright colours are to be seen as well as the common blue. There are no beggars, touts, or advertising gimmicks, no prostitutes. The only advertising seems to be for theatres and cinemas. He is offered no spurious price reductions, nor is he told that this washing powder is better than all others. Later, the visitor sees in other parts of China, both in cities and countryside, that despite wide differences in surroundings, the same relaxed atmosphere prevails. The old remains alongside the new and the people are occupied at a multitude of tasks, suggesting a busy process of change.

### Socialist ownership

The traveller who seeks to learn something of the reality of a society so different from his own, comes to understand that China is not only a *developing* country but a developing *socialist* country. Private, capitalist ownership of the means of production and trade have been replaced by socialist ownership—whether collective (as on communes or in cooperative workshops), or ownership by the whole people (as in the case of national enterprises and state farms). Wide variations in detail are found around the country, with some districts and cities more advanced in technique, equipment, productive capacity, and construction than others, but basic organisational forms and the widespread involvement of the people through elected Revolutionary Committees and organisations such as trade unions, women's and peasants' committees are found to be general.

A complete analysis of China's socialist society and of the quality of life of her people would require volumes; here a few specific examples must suffice to indicate the scope of the responsibilities of ordinary people and how they are transforming some small units of their economy—not as a result of orders from above but by the exercise of their own socialist initiative. Peking, the city referred to here, is perhaps more prosperous and advanced than some, but it is not exceptional in its trend of development.

### Real democracy

Democracy in this socialist society is real. It is not a matter of periodic elections of members from contending parties, who may or may not carry out pre-election pledges, but involves the regular supervision of the elected by those who elected them, and an ever-widening participation of the masses both at work and at home in all aspects of life, both local and national. It is not a system devoid of bureaucracy or other weaknesses, but the Communist Party looks to the people as the main force to detect and eliminate them. As a result of continuous political education, intensified during the present campaign to criticise Confucius and to study the Marxist-Leninist classics and the works of Mao Tse-tung, the people are fulfilling their responsibility ever more effectively.

Two examples of this popular involvement which indicate the direction of development in the building of the economic base of socialism were seen in Peking. In the Western District, in a Neighbourhood called West Changan, production is advancing under the guidance of the Neighbourhood Revolutionary Committee. For some years housewives have come together in their lanes for socially useful production, perhaps sewing or making household goods. Now the Neighbourhood has five factories, started by women during the Great Leap Forward in 1958. With little and primitive equipment and no outside resources, they began by making clothes, binding textbooks, making dust pans. Gradually they themselves, encouraged and guided by technically trained workers, built up their workshops so that now they produce many goods required by households and even spare parts for lorries. The factories employ 1,500 workers, mostly local women, and are collectively owned by the West Changan Neighbourhood.

Also in Peking, Equipment Factory No. 1 was started in the same way by housewives, concentrating until about 1965 on such things as simple balance rods for weighing. Like those described above, this workshop had little equipment or funds and there was a struggle from early days. Some wanted to obtain money loans or grants and technicians to do difficult work in order to leap ahead; others, who prevailed after discussions, argued for slower development with self-reliance and economy. Agreement was reached to rely on themselves, but not in isolation. Tsinghua University technical students came to share in early experimentation and the local Party branch sent a number of housewives and one man to the University to study technique. The teachers there laughed, but they helped. The balance rods were improved and better weighing machines were produced. In 1966 the factory began to manufacture transistors, learning from other factories and their own experience. Starting as a collective workshop, in 1970 it came under state ownership because its products were of national importance, but it remained part of the life of its own Neighbourhood. A small but significant step forward had been taken towards ownership by the whole people, a socialist advance achieved by the initiative and enthusiasm of the people themselves.

### Wide responsibilities

But socialism means far more than just the production of material goods, basic as that is. The West Changan Neighbourhood Revolutionary Committee should not be taken as identical with such area committees in all Chinese cities, for the nature of the work to be done necessarily depends on local requirements but, again, it is typical in that Revolutionary Committees are general and the scope of their activities is determined by the people.

The West Changan Neighbourhood Revolutionary Committee covers 30,000 households (about 80,000 people), runs fifteen primary schools and kindergartens for 15,000 children, and under it are 35 Residents' Committees responsible for different lanes. These local committees lead the residents in cleaning the streets, maintaining high standards of cleanliness and sanitation inside and outside the homes. Children are taught to become socialist citizens, to learn skills by doing socially useful work, to understand the scientific basis of disease and its prevention. In winter they help to clear the snow, in summer to eliminate flies, and soon realise that they have an essential part to play in community life. Outside school hours the children are helped to learn to read and in other studies as needed. Retired people are drawn into activities in accordance with their capacities and wishes.

### Role of women

Housewives are encouraged to work and those who do are assisted with their children and home duties. In the old days, generally isolated and ignorant, they are now key activists in all local affairs. That their emergence from the home is not just the result of the Cultural Revolution is illustrated by the part they played in building the small factories. But the current campaign to criticise Confucius particularly stresses the role of women, who are 'half of Heaven'. There is now special emphasis on the need to end the thinking which relegates women to limited spheres of life and activity.

Also, under the guidance of the local branch of the Communist Party, the Residents' Committees organise systematic political study which draws in everybody. It has stimulated initiative and enthusiasm for the building of socialism, alerted the masses to the dangers of revisionism and retrogression, and deepened their understanding of their tasks.

Residents' Committees deal with what one might call household and courtyard activities, easing social relations, helping

to sort out local and family problems. For instance, when in 1967 a mother of four small boys died, the local Residents' Committee took responsibility for seeing that the children were cared for while their father was away at work and for helping him when he was at home. When problems arise between neighbours or within families the Committee seeks solutions through discussions. Minor misdemeanours such as cheating a shop or petty theft (which rarely occur) are dealt with locally. Parents, teachers, neighbours combine to analyse the reasons for the act and to convince the guilty party that his behaviour has been anti-social. A more serious crime would be reported to the city legal office. This procedure is not new since the Cultural Revolution began, but more intensive efforts are now being made to increase political understanding as the essential means of eliminating misbehaviour.

Wider responsibilities are the province of the Neighbourhood Revolutionary Committee. Candidates for the Committee are nominated after full discussion in the various units—schools, hospitals, factories, or meetings of lane residents. They are elected for three years and the Committee comprises young, middle-aged, and older age groups so that youthful vigour and experience are combined. The Committee runs a clinic which treats common diseases and injuries. Patients can have acupuncture, receive Western or traditional Chinese medicine, obtain birth control advice, all at a small charge for medicines. Three times a week doctors from Peking municipal hospitals visit this clinic to treat patients, train barefoot doctors (who here receive no pay), and to pass on general health knowledge. They and the barefoot doctors may visit patients at home, while serious cases are sent to the city hospitals.

### Housing

Housing problems in China are far from solved and living space is generally small as compared to the West (except among the under-privileged), but there is no need for squatting, rents are low, and all are accommodated. In Peking there are no private landlords. Most housing belongs to the Peking municipality and is administered by the Peking Housing Bureau. Local Housing Committees, under the Neighbourhood Revolutionary Committees, are responsible for allocation, repair, and rents. Movement outside the area is handled by the central Housing Bureau.

These are some of the more important aspects of the work of a Neighbourhood Revolutionary Committee, but one should not overlook the provisions for recreation and leisure activities, especially for the young. All can find opportunities for any hobby they like—sports, music, dancing, theatrical performances, small-scale production of consumer goods. These activities may come under the Neighbourhood Revolutionary Committee, the school, factory, or the municipality. Theatrical and other performances are given in the open, in public parks, for all to enjoy. Great crowds attend sports meetings; cinemas and theatres, meals in restaurants, are cheap.

The relaxed but purposeful atmosphere described above is one result of the deep involvement of the masses in solving their own problems and of the correct handling of contradictions among the people. No one is alone.

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