Political Economy of Socialism

· Discussion Draft of the Second Unfinalized Edition ·

Compiled by the Editorial Group for *Political Economy of Socialism*

Index

Index **1**

Volume I **8**

Preface 9

Part One: Socialist Ownership and Interrelationships in Production **17**

Chapter One: Socialist Public Ownership 18

Section One: The Great Transformation of Ownership Relations 18

Transform Capitalist Ownership Into Socialist Ownership by the Whole People 20

Transform Individual Ownership Into Socialist Collective Ownership by the Working People 24

Establishment of Socialist Public Ownership Was a Great Revolution 29

Section Two: The Question of Ownership Has Not Yet Been Completely Resolved 32

Bourgeois Right Within the Sphere of Ownership Has Not Been Completely Abolished 32

Both Forms of Socialist Public Ownership Involve an Issue of Leadership 36

Section Three: Restoration of Capitalist Ownership in the Soviet Union 41

Economic Base of the Restoration of Capitalism 41

Soviet Revisionists Transformed Socialist Ownership Into Ownership by the Bureaucratic Monopoly Bourgeoisie 45

Section Four: Socialist Public Ownership Is Consolidated and Developed Through Struggle 53

Consolidation and Improvement of Socialist Ownership by the Whole People 53

Direction of Development of Collective Ownership in Rural People's Communes 56

Chapter Two: Mutual Relations in Socialist Production 68

Section One: Formation of Socialist Mutual Relations 68

Socialist Public Ownership Is the Foundation of Socialist Mutual Relations 68

Role of the Superstructure in Formation and Development of Mutual Relations 71

Section Two: The Nature of Socialist Mutual Relations 76
Communist Elements and Bourgeois Right in Mutual Relations 76
Socialist Mutual Relations Are Class Relations 82
Section Three: Consolidating and Improving Socialist Mutual Relations Through Struggle 89
Great Active Role of Mutual Relations 89
Consolidate and Improve Mutual Relations in Accordance With the Socialist Principle 92
Section Four: Revival of the Rule of Capital Over Labor in the Soviet Union 101

Part Two: Socialist Production Process 107

Chapter Three: Nature and Purpose of Socialist Production 108
Section One: Products and Commodities of Socialist Society 108
Section Two: Basic Economic Law of Socialism 117
Duality of the Socialist Production Process and Its Dominant Aspect 117
Grasping Revolution, Promoting Production 126
Main Content of the Basic Economic Law of Socialism 134
Section Three: Building Socialism With Greater, Faster, Better, and More Economical Results 137
Possibility and Reality of Developing Socialist Production at a High Speed 137
General Line For Socialist Construction 140
The Great Leap Forward in our Country's National Economy 144
Chapter Four: Distribution of Social Labor in the Socialist Economy 148
Section One: Regulatory Role of the Law of Planned Proportional Development 148
Planned Distribution of Social Labor Associated with the Commodity System 148
Regulation of Socialist Production by the Law of Planned Proportional Development 150
Several Major Proportional Relationships in the National Economy 155
Rational Distribution of Productive Forces 164
Section Two: Influence of the Law of Value in the Process of Distributing Social Labor 170
Section Three: Consciously Applying Objective Laws to Distribute Social Labor Proportionally 176

Process of Distributing Social Labor is a Process of Contradictions 176

Consciously Regulating the Allocation of Social Labor Is an Advantage of the Socialist Economy 181

Chapter Five: Socialist Agriculture and Industry 192

Section One: Agriculture Is Foundation of National Economy 192

Fundamental Role of Agriculture in the Socialist National Economy 192

Fundamental Solution for Agriculture Lies in Mechanization 200

Learn From Dazhai in Agriculture 204

Section Two: Industry is the Leading Force of National Economy 209

Leading Role of Industry in Socialist National Economy 209

Socialist Industrialization 214

Learn From Daqing in Industry 220

Section Three: Integration of Socialist Industry and Agriculture 225

Integration of Industry and Agriculture Under Socialism 225

Integration of Industry and Agriculture Within the Collective Economy 228

Integration of Industry and Agriculture at National Economy Level 233

Essence of the Integration of Industry and Agriculture is the Question of the Worker-Peasant Alliance 237

Chapter Six: Economy Under Socialism 241

Section One: Saving of Labor Time Is Economic Law of Socialism 241

Socialism Has Opened Up Broad Prospects for Law of Saving Labor Time 241

Contradictions in the Process of Saving Labor Time 244

Section Two: Labor Productivity Under Socialism 248

Increasing Labor Productivity Is the Hallmark of Saving Labor Time 248

Role of Technical Innovation in Increasing Labor Productivity 251

Section Three: Socialist Cooperation and Competition 258

Socialist Cooperation 258

Socialist Competition 262

Volume II **265**

Chapter Seven: Socialist Economic Accounting System 266

Section One: Duality of Economic Accounting 266

Economic Accounting Is an Important Means of Diligently Practicing Economy. 266

Use-Value Accounting and Value Accounting 269

Section Two: Socialist Economic Accounting System 277

Economic Accounting System Is the Economic System For Managing Socialist Enterprises 277

Specific Contents of Economic Accounting System 282

Section Three: An Analysis of the Soviet Revisionists' "Full economic accounting system" 288

Part Three: The Socialist Circulation Process **296**

Chapter Eight: Commodity Exchange in Socialist Society 297

Section One: Exchange Relations and Their Characteristics in Socialist Society 297

Several Types of Exchange Relations in Socialist Society 297

Bourgeois Right in Exchange Relations 305

Section Two: Role and Limitations of Socialist Commodity Exchange, and Struggle Between Restrictions and Counter-Restrictions 310

Promoting Development of Production and Improvement of People's Standard of living 310

Struggle Between Restriction and Counter-Restriction in Field of Commodity Exchange 317

Section Three: Price and Price Policy Under Socialism 322

Role of the Law of Value in Commodity Circulation 322

Basis of Prices Under Socialism 324

Socialist Price Policy 327

Section Four: Foreign Trade of Socialist States 334

Chapter Nine: Currency and Currency Circulation of Socialist Society 345

Section One: Currency in Socialist Society 345

The Essence and Functions of Money 345
Money Remains the Soil for the Emergence of Capitalism 349
Section One: Currency Circulation in Socialist Society 355
Relationship between Currency Circulation and Commodity Circulation 355
Currency Circulation Channels 356
Law of Currency Circulation 359
Section Two: Renminbi in China 364

Part Four: Distribution and Reproduction in Socialist Society 371

Chapter Ten: Distribution in Socialist Society 372
Section One: Distribution of National Income 372
Ownership Relations Determine Distribution Relations 372
Primary Distribution and Redistribution of National Income 376
Section Two: Distribution of Personal Consumer Goods 382
Historical Reasons For Implementing Principle of "From Each According to Their Ability, to Each According to Their Work" 382
Bourgeois Right in Distribution According to Work Is Dominant 385
Forms of Distribution in Economy of Socialist Ownership by the Whole People 390
Forms of Distribution in Socialist Collective-Ownership Economy 395
Section Three: The Bourgeois Right in Distribution Must Be Restricted 398
Criticizing Bourgeois Right Ideology and Advocating a Communist Work Attitude 398
Recognize Differences, But Oppose Excessive Disparities 404
Create the Conditions to Gradually Expand the Factors of Distribution According To Need 412
Chapter Eleven: Socialist Accumulation and Extended Reproduction 417
Section One: Proportional Relationship Between Two Major Departments of Social Production 417
Marx's Reproduction Formulas 417
Law of Relatively Rapid Growth of Production of Means of Production 423

Growth of Production of Means of Production Cannot Be Separated From Growth of Production of Means of Consumption 428

Section Two: Accumulation Is the Source of Extended Reproduction 433

Unity of Opposites of the Accumulation Fund and the Consumption Fund 433

Determination of the Accumulation Fund and Its Relationship to the Two Major Departments of Social Production 434

Internal Composition of the Accumulation Fund 438

Section Three: General Law of Socialist Accumulation 442

Chapter Twelve: Movement of Funds in Socialist Reproduction 451

Section One: Capital Funds Circulation in Socialist Reproduction 451

Section Two: Fund Allocation in Socialist Reproduction 460

Allocation of Enterprise Funds and Corporate Finance 460

Allocation of Total Social Funds and Bank Credit 462

Distribution of Social Net Income and State Budget 468

Socialist Public Finance 472

Section Three: Relationship Between Fund Allocation and Material Allocation in Socialist Reproduction 477

Relationship Between Budget Funds and Credit Funds in Fund Allocation 477

Relationship Between Allocation of Funds Through Budget and Credit and Material Allocation 480

Part Five: Conclusion 485

Chapter Thirteen: Socialist Relations of Production and Class Relations 486

Chapter Fourteen: Continued Revolution under the Dictatorship of the Proletariat 495

Chapter Fifteen: Communism Is the Inevitable Trend of Socialist Development 502

Volume I

Preface

The Great Proletarian Cultural Revolution, personally initiated and led by Chairman Mao Zedong, the great leader and teacher, has resolved, both theoretically and practically, the major issue confronting the contemporary international communist movement: consolidating the dictatorship of the proletariat and preventing the restoration of capitalism. Hundreds of millions of workers, peasants, and soldiers, revolutionary cadres, and revolutionary intellectuals have undergone the trials of this great revolution. Through struggle, they have diligently studied Marxism, Leninism, and Mao Zedong Thought. They have studied the theory of continued revolution under the dictatorship of the proletariat. They have clarified where the bourgeoisie is and the question of exercising all-round dictatorship over the bourgeoisie. They have opposed and prevented revisionism and continued revolution. In the face of this great revolutionary situation, it has become an extremely important task, in accordance with the Marxist viewpoint, to compile a popular work on political economy of socialism; to correctly analyze the laws governing the movement of the socialist economy, to analyze the process by which the bourgeoisie, particularly the bourgeoisie within the Party, forms, develops, and is eliminated under socialist conditions; to analyze the classes, class contradictions, and class struggle in socialist society; and to clarify the nature, targets, tasks, and prospects of the socialist revolution.

In the course of revealing the laws governing the movement of the capitalist economy and criticizing the opportunist line, Marx and Engels put forward certain basic principles of political economy of socialism, guiding the proletariat in its struggle to seize political power, establish the dictatorship of the proletariat, and build socialism. In the October Revolution, Lenin transformed Marxist theory into the practice of Russian socialism, further developing Marxist political economy of socialism and pointing the way toward upholding class struggle under the dictatorship of the proletariat and preventing the restoration of capitalism. After Lenin's death, Stalin carried on Lenin's cause, led the people of the Soviet Union in achieving national industrialization and agricultural collectivization, provided a theoretical summary of the

problems of socialist economy, and in practice dealt with a large number of representatives of the bourgeoisie within the All-Union Communist Party (Bolsheviks).

However, Stalin made a major error on the question of whether class struggle exists in socialist society. The Soviet Political Economy textbook published in the 1950s (the 1st, 2nd, and 3rd editions) did not acknowledge the contradiction between socialist relations of production and the productive forces; did not acknowledge that bourgeois right[1] still existed to varying degrees in all aspects of socialist relations of production; did not acknowledge the existence of the bourgeoisie within the All-Union Communist Party (Bolsheviks); did not acknowledge the possibility of the restoration of capitalism after accomplishing socialist industrialization and agricultural collectivization; and, in the final analysis, did not acknowledge that classes, class contradictions, and class struggle exist throughout the entire historical era of the dictatorship of the proletariat. Methodologically, it abandoned the guiding principle for studying political economy of socialism: the contradictions between relations of production and productive forces, and between the superstructure and economic base; it discarded materialism and dialectics, and fell into idealism and metaphysics. Consequently, when analyzing the socioeconomic movement after the dictatorship of the proletariat and the socialist economic base had been established, it inevitably fell into the mire of the theory of the extinction of class struggle and the theory of the productive force determinism. Such erroneous analysis could not, of course, lead to the scientific conclusion of continued revolution under the dictatorship of the proletariat.

Nevertheless, the Soviet political economy textbook also contained correct elements. It emphasized that the socialist economy is an economy serving all the people, not an economy intended to generate profits for a handful of exploiters. In this respect, it differed from the revisionist political economy compiled at the behest of the traitor cliques of Khrushchev and Brezhnev. In today's Soviet Union, political economy has utterly degenerated. It advocates bureaucratic monopoly, putting profit in command, material incentives, and expert management of factories; it proclaims that exploitation is justified and oppression is justified; it has become the economics of social imperialism and no longer possesses even the slightest scientific value.

---

[1] Note from translator: **Bourgeois Right** is a central concept in the Great Proletarian Cultural Revolution and this book. It was first coined by Karl Marx in Critique of the Gotha Programme, and further developed by Chinese theorist Zhang Chunqiao in Do Away with the Ideology of Bourgeois Right.

Since the Soviet Union was historically the first socialist state founded by Lenin, its mistakes, like its successes, have had a profound influence on people. This is quite evident in our research in political economy. In the 1950s, many of our works on political economy of socialism basically copied the Soviet textbooks, reproducing both their correct parts and their erroneous parts; what is particularly worth noting is that, in the process of copying, it was inevitable that we would also accept the entire idealist and metaphysical worldview that guided research in Soviet political economy. Under the domination of this worldview, it was very easy to accept the revisionist line. Before the Great Proletarian Cultural Revolution, the sphere of economic theory in our country was for a long time seriously influenced by Liu Shaoqi's revisionist line. The epistemological foundation of this black line is the bourgeois idealist and metaphysical worldview that was widespread in our country's economic-theory circles. "**The Great Proletarian Cultural Revolution is a great revolution that touches people's souls; it is intended to resolve the problem of people's worldviews**."[1] Accordingly, in the course of the great struggle to destroy the two bourgeois headquarters of Liu Shaoqi and Lin Biao, to Criticize Deng Xiaoping, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend,[2] thoroughly destroy the bourgeois worldview and establish the proletarian worldview became an urgent demand placed before economic theorists—and not only economic theorists.

Where there is revisionism, there is Marxism; where there are idealism and metaphysics, there are materialism and dialectics. Such is the law of history. Chairman Mao, the greatest Marxist of the contemporary era, comprehensively summed up the positive and negative experiences of the international communist movement, put forward a series of scientific conclusions, enriched the theoretical treasury of Marxism, and inherited, defended, and developed Marxism-Leninism.

In "On the Correct Handling of Contradictions Among the People," Chairman Mao pointed out: "**In socialist society the basic contradictions are still those between the relations of production and the productive forces and between the superstructure and the economic**

---

[1] Quote from Chairman Mao. "Advance Along the Path Opened by the October Socialist Revolution," *People's Daily,* November 6, 1967.

[2] Note from translator: Criticize Deng Xiaoping, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend was the last political movement launched in the Great Proletarian Cultural Revolution.

base."[1] These contradictions manifest themselves as follows: "**Socialist relations of production have been established and are in correspondence with the growth of the productive forces, but these relations are still far from perfect, and this imperfection stands in contradiction to the growth of the productive forces. Apart from correspondence as well as contradiction between the relations of production and the growth: of the productive forces, there is correspondence as well as contradiction between the superstructure and the economic base.**"[2]

When speaking of socialism, Chairman Mao also said: "**In a word, China is a socialist country. Before liberation she was much the same as a capitalist country. Even now she practices an eight-grade wage system,[3], distribution according to work and exchange through money, and in all this differs very little from the old society. What is different is that the system of ownership has been changed.**" "**Our country at present practices a commodity system, the wage system is unequal, too, as in the eight-grade wage scale, and so forth. Under the dictatorship of the proletariat such things can only be restricted. Therefore, if people like Lin Biao come to power, it will be quite easy for them to rig up the capitalist system.**"[4]

During the period of the socialist revolution, Chairman Mao profoundly analyzed the class relations of socialist society. For the first time in the history of the development of Marxism, he explicitly put forward the view that classes and class struggle still exist after the socialist transformation of the ownership of the means of production had been basically completed; he formulated the scientific conclusion that the bourgeoisie is right inside the Communist Party and put forward the great theory of continued revolution under the dictatorship of the proletariat. This great theory shattered the idealist and metaphysical views that had long prevailed in the field of political economy, dealt a heavy blow to revisionist views of every kind,

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," in *Selected Works of Mao Zedong,* Vol. V, (Foreign Languages Press, 1965), 393.

[2] Ibid., 394.

[3] Note from translator: The eight-grade wage system was a wage classification system for workers in People's Republic of China that determines ones wage based on the level of technical complexity. It was imported from the Soviet Union.

[4] "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *People's Daily*, February 22, 1975.

invigorated political economy of socialism with revolutionary vitality, and advanced it into an entirely new historical stage.

Chairman Mao's great theory has shown us that socialist relations of production are by no means dead, rigid, or unchanging. Like all other relations of production throughout history, they constitute an extremely dynamic and richly varied process of the movement of contradiction. Socialist relations of production, which have just emerged from the womb of capitalism, are an immature form of communist relations of production. They divide into two: on the one hand, there are growing communist elements; on the other, there are declining capitalist traditions or vestiges, manifested as bourgeois right. They are both opposed to and interconnected with each other, thereby constituting the distinctive characteristics of the movement of contradiction between socialist relations of production and the productive forces, and between the superstructure and economic base. This movement of contradiction is concentrated in the contradiction and struggle between the proletariat and the bourgeoisie, and particularly in the contradiction and struggle between the proletariat and the bourgeoisie within the ruling Communist Party. In order for the proletariat ultimately to eliminate the bourgeoisie and all other exploiting classes, and to eliminate all classes and class differences, it must persist in all-round dictatorship over the bourgeoisie and persist in continued revolution under the dictatorship of the proletariat.

Political economy of socialism can advance along the path of Marxism only through the struggle to criticize revisionism and break free from the influence of idealism and metaphysics. Its basic task is, on the basis of the fundamental theories of Marxism, Leninism, and Mao Zedong Thought, to relate productive forces to the superstructure; to analyze the laws governing the emergence, development, and transformation of socialist relations of production into communist relations of production; to analyze the process by which the new bourgeoisie, especially the bourgeoisie within the Party, forms, develops, and perishes; to elucidate the laws and characteristics of class struggle under the dictatorship of the proletariat; and to help cadres emancipate themselves from the influence of the bourgeoisie and revisionism and carry out the socialist revolution following the democratic revolution.

The book now before the reader is an attempt written in accordance with the requirements outlined above. The manuscript has already undergone several revisions. However, after completing this latest edition, we reread it and were strongly struck by the fact that it still falls short of those requirements. On the face of it, the book seems to address all the issues that ought to be considered, and it strives to apply the Marxist worldview to a dialectical analysis of the economic movement of socialism. Yet upon rigorous examination, the weaknesses of the book remain evident everywhere.

Political economy of socialism was seriously influenced by idealism and metaphysics for several decades. This book, too, has not completely escaped that influence. In its treatment of the movement of the socialist economy, this book still classifies phenomena according to their external characteristics rather than their internal connections. The imprint of the political economy textbooks published in the Soviet Union in the 1950s can be seen both in the structure of this book and in its analysis of the various categories of socialist relations of production. Economic categories are the theoretical expressions of real economic relations. Like real economic relations, they are always in motion through the unity and opposition of contradictions. political economy should analyze the movement of each category, in which opposing aspects are both mutually opposed and interconnected; it should analyze the conditions under which the opposing sides transform into their opposites and thereby draw revolutionary conclusions. However, upon reviewing our work, we find that some of our analyses remain superficial. In some places, they still remain at the level of external appearances and fail to explain the movement of phenomena through their internal connections. We have not deeply analyzed the conditions under which communist elements will overcome the traditions or vestiges of capitalism, nor the conditions under which those traditions or vestiges will proliferate and overwhelm the communist elements. We must continue to study Marxism diligently and strive toward genuinely mastering materialism and dialectics.

To explain the laws governing the movement of the socialist economy through the unity of theory and practice is the duty of political economy of socialism. Marx said: "**[Inquiry] has to appropriate the material in detail, to analyze its different forms of development, to trace out their inner connexion. Only after this work is done, can the actual movement be**

adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then it may appear as if we had before us a mere a priori construction."[1] We have acquired some materials, but far from enough. Among the materials already acquired, we have also done far too little to analyze their various forms of development and explore the inner connections among these forms. In the course of the exposition, readers will find instances of concepts accompanied by examples. Combining concepts with examples is very different from explaining problems through the unity of theory and practice. This situation reflects the extent to which our theory has become divorced from reality. Chairman Mao taught us: "**We should proceed from the actual conditions inside and outside the country, the province, county or district, and derive from them, as our guide to action, laws which are inherent in them and not imaginary, that is, we should find the internal relations of the events occurring around us. And in order to do that we must rely not on subjective imagination, not on momentary enthusiasm, not on lifeless books, but on facts that exist objectively; we must appropriate the material in detail and, guided by the general principles of Marxism-Leninism, draw correct conclusions from it. Such conclusions are not mere lists of phenomena in A, B, C, D order or writings full of platitudes, but are scientific conclusions. Such an attitude is one of seeking truth from facts and not of currying favor by claptrap. It is the manifestation of Party spirit, the Marxist-Leninist style of uniting theory and practice.**"[2] Nothing could be more appropriate than to use Chairman Mao's criticism of the tendency within our Party for theory to become divorced from reality to criticize this book. And how warmly encouraging it is to use the Marxist-Leninist style of uniting theory and practice advocated by Chairman Mao to spur us to continue our efforts!

The issue of writing style is also an important issue in political economy. It is hardly surprising that bourgeois political economy is often obscure and difficult to understand when it seeks to deceive the masses. Marxist political economy is different. Since it seeks to propagate its ideas among the masses, it must be plain, easy to understand, vivid, and lively. The works of

---

[1] Karl Marx, "Afterword to the Second German Edition*,"* in *Capital,* Vol. I, ed. Frederick Engels (Moscow: Progress Publishers, 1974).

[2] Mao Zedong, "Reform Our Study," in *Selected Works of Mao Zedong*, Vol. III, (Foreign Languages Press, 1965), 21.

Marx, Engels, Lenin, and Chairman Mao have set a brilliant example for us. This Marxist-Leninist style of writing cannot be found in Soviet economics textbooks; this is closely connected with the fact that the authors of those textbooks were deeply constrained by metaphysical thinking. As for the economics of the contemporary Soviet revisionists, it reflects the state of mind of the bourgeoisie in its moribund stage, and its style is even worse than that of the economics of the period when the bourgeoisie was rising. What this book strives to reflect is the vigorous spirit of the proletariat; needless to say, it should have a vivid, lively, fresh, and powerful Marxist-Leninist style of writing. Yet in this respect, too, it has fallen short of expectations. The style of this book also reflects the fact that it has not completely freed itself from the influence of metaphysics, and is often dull and rigid. To give the entire book a vivid, lively, fresh, and powerful Marxist-Leninist style of writing requires a great deal of effort.

After initially dissecting the main weaknesses of this book, we feel that it has not fulfilled the task it set for itself. We should start learning from the beginning and start working from the beginning. However, without breaking through the old, nothing new can be established; without blocking the old, nothing new can flow; without stopping the old, nothing new can advance. This is the law governing the development of things, and it is also the law governing the development of political economy of socialism. With this purpose in mind, we have nevertheless decided to have this book printed and to solicit opinions from all sides, so that the readers' criticisms may further spur us onward. We firmly believe that, today, when hundreds of millions of workers, peasants, and soldiers in our country are striving to study and master Marxism, Leninism, and Mao Zedong Thought, and amid such a vivid and richly varied environment of Chinese revolution and world revolution, it is entirely possible, through collective effort, to compile a work of political economy of socialism that upholds Marxism, criticizes revisionism, and frees itself from idealism and metaphysics. In this immense undertaking, if this book can serve as a paving stone, then that will be our greatest wish.

Editorial Group for *Political Economy of Socialism*

September 1976 · Shanghai

Part One: Socialist Ownership and Interrelationships in Production

Chapter One: Socialist Public Ownership

Section One: The Great Transformation of Ownership Relations

Human society has undergone five different social systems[1] in the course of its development to the present day, with a history of approximately one million years. How has human society developed? How have the various social systems replaced one another? Before the emergence of Marxism, no one had ever provided a scientific answer. In the mid-nineteenth century, Marx and Engels, the great revolutionary leaders of the proletariat, based on their direct participation in the class struggle of the class of capitalism and scientific experimentation, critically studied all the outstanding achievements of human culture and, for the first time, provided a scientific answer.

The development of human society and the replacement of different social systems are mainly the result of the development of contradictions between the social relations of production and the productive forces, and between the superstructure and economic base. In societies where classes exist, these basic contradictions are concentrated in the contradictions and struggles between classes.

The relations of production must be suited to the development of the productive forces; this is the objective law governing the development of the basic social contradictions. The development of the productive forces demands changes in the relations of production, and changes in the relations of production bring about transformations in the political, cultural, and social superstructure. Within the relations of production, ownership of the means of production is

[1] Note from translator: Joseph Stalin first introduced the theory of five main types of relations of production (primitive communal, slave, feudal, capitalist and socialist) in "Dialectical and Historical Materialism," in *History of the Communist Party of the Soviet Union (Bolsheviks): Short Course* (1938).

the most fundamental relation. For thousands of years, working people from generation to generation have been treated like beasts of burden, living miserable lives without enough food or warm clothing. The root cause was that the means of production were in the hands of the exploiting classes. Marx pointed out: "**The man who possesses no other property than his labor power must, in all conditions of society and culture, be the slave of other men who have made themselves the owners of the material conditions of labor. He can only work with their permission, hence live only with their permission.**"[1] Therefore, in analyzing the development of society and the replacement of capitalism by socialism, we must begin by analyzing changes in the ownership relations of the means of production.

Socialist public ownership of the means of production is the inevitable product of the contradiction between capitalist private ownership and socialized large-scale production. However, it cannot arise within the womb of the old society. This is because implementing socialist public ownership of the means of production entails expropriating the bourgeoisie. This is fundamentally impossible in capitalist society under the dictatorship of the bourgeoisie. The bourgeoisie will never voluntarily withdraw from the stage of history; it will inevitably mobilize all the forces of society and use the superstructure under its control, especially the state machinery, to obstruct the transformation of capitalist relations of production. "**Political power grows out of the barrel of a gun**"[2]. Only by using violent revolution to smash the bourgeois state machinery and establish the dictatorship of the proletariat can the proletariat carry out the "**expropriation of the expropriators**," transform the means of production privately owned by capitalists into public property belonging to all working people, carry out the socialist transformation of the individual economy, and comprehensively establish socialist public ownership of the means of production.

A change in the system of ownership is an important marker distinguishing different social systems. The establishment of socialist public ownership marked our country's entry into socialist society. However, socialist public ownership, like all socialist new things, has a long

---

[1] Karl Marx, "Critique of the Gotha Programme," *Marx/Engels Selected Works*, Vol. III (Progress Publishers, Moscow, 1970).

[2] Mao Zedong, "Problems of War and Strategy," in *Selected Works of Mao Zedong*, Vol. II, (Foreign Languages Press, 1965), 224.

process of being established and developed through struggle. Thus, how was it established and developed through struggle?

Transform Capitalist Ownership Into Socialist Ownership by the Whole People

Marx and Engels stated in *Manifesto of the Communist Party*: "**The theory of the Communists may be summed up in the single sentence: Abolition of private property.**"[1] The historical experience of the Paris Commune of 1871 demonstrated that after the proletariat seized power, if the bourgeoisie were allowed to continue controlling the lifeblood of the national economy, it would inevitably use its economic strength, together with its political and military counterattacks, to overthrow the dictatorship of the proletariat and restore capitalism. In summarizing the experience of the Paris Commune, Lenin once pointed out that one of the two errors that led to the destruction of the glorious fruits of the Paris Commune's victory was the failure to place major enterprises, such as banks, which were vital to the national economy, under the control of the proletariat.[2]

After seizing power, the proletariat generally faces a situation in which large capital and small and medium capital coexist. Large capital represents the most reactionary relations of production, controls the lifelines of the national economy, constitutes a serious obstacle to the development of the social productive forces, and is the principal economic base of the reactionary rule of the bourgeoisie. The proletariat must immediately place it in the hands of the state under the dictatorship of the proletariat through uncompensated confiscation. The great October Revolution led by Lenin drew historical lessons from the Paris Commune. After crushing the bourgeois state machinery through revolutionary violence and establishing Soviet power under the dictatorship of the proletariat, it immediately nationalized the banks, railways, merchant shipping, and large-scale industry in various sectors one after another, thereby

---

[1] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists," in *Manifesto of the Communist Party, Marx/Engels Selected Works,* Vol. One, (Progress Publishers, Moscow, 1969).

[2] Vladimir Ilyich Lenin, "Lessons of the Commune," in *Lenin's Collected Works*, Vol. 13 (Progress Publishers, Moscow, 1972).

establishing socialist ownership by the whole people. This was a brilliant practical application of the Marxist theory of "**expropriating the expropriators**."

Chairman Mao, in applying the universal truth of Marxism-Leninism to guide the concrete practice of our country's revolution, scientifically analyzed the capitalist economy of old China, dividing it into the bureaucratic capitalist economy (large capital) and the national capitalist economy (small and medium capital); he divided China's bourgeoisie into the bureaucratic comprador bourgeoisie (large bourgeoisie) and the national bourgeoisie (small and medium capitalists), and formulated different policies for them.

The bureaucratic bourgeoisie was the extremely reactionary ruling class in semi-colonial and semi-feudal China, and the bureaucratic capitalist economy was the economic base of the reactionary regime of the bureaucratic bourgeoisie. Opposing bureaucratic capitalism was one of the fundamental tasks of the New Democratic revolution led by the Chinese proletariat. In response to the reactionary nature of bureaucratic capitalism, Chairman Mao, in the course of leading the Chinese people in carrying out the New Democratic revolution, explicitly established the policy of confiscating bureaucratic capital and "**transfer to the people's republic led by the proletariat**"[1].

Bureaucratic capital accounted for 80% of the fixed capital in old China's capitalist industry and transportation industry. The confiscation of bureaucratic capital and the transformation of bureaucratic bourgeoisie ownership into socialist ownership thereby eliminated the principal part of China's capitalist ownership, established a powerful socialist economic base for the dictatorship of the proletariat, and created the necessary conditions for transforming small and medium capital.

Although small and medium capital accounted for only 20% of the fixed capital in the industry and transportation industry of old China, it was very numerous, widely distributed, and present in every corner. To consolidate and develop the socialist economic foundation, it was also necessary, on the basis of confiscating large capital, to carry out the socialist transformation of small and medium capital in a planned, step-by-step manner.

---

[1] Mao Zedong, "REPORT TO SECOND SESSION OF SEVENTH CENTRAL COMMITTEE," in *Selected Works of Mao Zedong*, Vol. IV, (Foreign Languages Press, 1965), 367.

The national bourgeoisie in our country emerged and developed under the historical conditions of a semi-colonial and semi-feudal society, which determined that it possessed a dual character: during the period of the bourgeois-democratic revolution, it had both a revolutionary side and a compromising side; during the period of the socialist revolution, it had the possibility of being compelled to accept socialist transformation, while also displaying a strong reactionary tendency to demand the development of capitalism. The industry and commerce operated by the national bourgeoisie also played two roles during the period of recovery of the national economy: on the one hand, it played a certain positive role in increasing the production of goods beneficial to the national economy and people's livelihood, expanding economic exchanges between urban and rural areas, and maintaining employment; on the other hand, through exploiting workers, pursuing profit above all else, and fostering unplanned production, it had a destructive and negative effect on socialist construction and people's lives. Based on the dual character of the national bourgeoisie and the dual role of the national capitalist economy, Chairman Mao formulated for our Party the policy of utilization, restriction, and transformation of national capitalist industry and commerce—that is, utilizing the positive role of capitalist industry and commerce, restricting its negative role when it was detrimental to the national economy and people's livelihood, and gradually carrying out socialist transformation of these enterprises.

The socialist transformation of capitalist industry and commerce in our country was carried out through various forms of state capitalism.

The nature of state capitalism is determined by the nature of state power. In capitalist society, state capitalism is a capitalist economy directly controlled by the bourgeois state. It serves the bourgeoisie. Under the conditions of the dictatorship of the proletariat, state capitalism is "**capitalism which we shall be able to restrain, and the limits of which we shall be able to fix.**"[1] Under the conditions of the dictatorship of the proletariat in China, the elementary forms of the State capitalist economy in industry include processing, ordering, centralized purchasing, and exclusive sales; in commerce, they include commissioned purchasing and commissioned sales.

---

[1] Vladimir Ilyich Lenin, "Eleventh Congress Of The R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 33, (Progress Publishers, Moscow, 1965).

The advanced form of the state capitalist economy is joint public-private ownership. In practice in China, this advanced form of state capitalism developed in two stages: joint public-private ownership in individual enterprises and joint public-private ownership throughout entire industries.

In 1956, our country fully implemented joint public-private ownership across the entire private industry and commerce sector. After joint public-private ownership was implemented throughout the sector, the capitalists' ownership of the means of production was expressed only through receiving fixed dividends according to their private-share holdings; control over the means of production belonged entirely to the state and all working people. In accordance with the needs of national economic development, the state could carry out unified economic restructuring of jointly owned enterprises, such as mergers and changes in lines of business. Therefore, joint public-private ownership throughout the entire sector was a decisive step in transforming capitalist industry and commerce into enterprises under socialist ownership by the whole people. Its implementation marked the basic completion of our country's socialist transformation of capitalist industry and commerce. Once the period of fixed dividend payments to the capitalists prescribed by the state had expired and such payments had ceased, the jointly owned enterprises became enterprises under complete socialist ownership by the whole people.

Under the conditions of the dictatorship of the proletariat, transforming the private capitalist economy through compensation—that is, to transform private capitalism economy through through the form of state capitalism—is beneficial to the proletariat. It helps split the bourgeoisie, strengthen the socialist economic foundation, and avoid the disorder and interruptions in production that might result from changes in ownership, thereby helping to accelerate the pace of socialist construction. But this absolutely does not mean that class peace can be used to replace class struggle. In fact, throughout the entire process of the socialist transformation of capitalist industry and commerce, the struggle between the proletariat and the bourgeoisie over restriction and counter-restriction, transformation and counter-transformation, was constantly present. Within the Party, this struggle was reflected in the conflict between the proletarian revolutionary line represented by Chairman Mao and the revisionist line headed by Liu Shaoqi. On the eve of national liberation, Liu Shaoqi's clique did everything possible to

spread the counter-revolutionary propaganda that bourgeois "exploitation has merit," clamoring that "capitalism should be allowed to exist and develop for several decades" and that it "could develop alongside state-owned enterprises."[1] They frantically opposed the correct policy put forward by Chairman Mao of utilizing, restricting, and transforming national capitalist industry and commerce. In this struggle, the bourgeoisie within the Party led by Liu Shaoqi served as the backers of the bourgeoisie outside the Party. Guided by Chairman Mao's revolutionary line, the proletariat and all the working people of our country crushed the resistance of the bourgeoisie inside and outside the Party and achieved a decisive victory in the socialist transformation of capitalist industry and commerce in 1956.

Transform Individual Ownership Into Socialist Collective Ownership by the Working People

After the dictatorship of the proletariat has been established, in addition to confronting capitalist private ownership, it also is also confronted with another form of private ownership of the means of production: the individual ownership of peasants and individual handicraft workers. Guiding individual workers, especially individual peasants, onto the socialist path and transforming the individual economy of the peasants into socialist large-scale agriculture are objective requirements for developing the productive forces of agriculture and for consolidating the economic base of the dictatorship of the proletariat in the countryside. Chairman Mao pointed out: "**Without socialization of agriculture, there can be no complete, consolidated socialism.**"[2]

Through what path can the individual agricultural economy be transformed into socialist agriculture? Peasants are workers and allies of the proletariat; their privately owned means of

---

[1] Note from translator: Although it can be argued that these quotes were taken out of context, Liu Shaoqi did make these remarks, see "Speech at a Symposium with Industrialists and Businesspeople in Tianjin" (Chinese). For example, "Today, capitalist exploitation in our country is not only not a crime; it is a meritorious contribution"; "Today, the problem is not that there are too many factories or too many workers being exploited, but that there are too few. If you have the ability to open more factories and exploit more workers, it will benefit both the country and the people, everyone supports it"; "Today, capitalist exploitation is legal; the more of it, the better."

[2] Mao Zedong, "On the People's Democratic Dictatorship," in *Selected Works of Mao Zedong*, Vol. IV, 419.

production cannot be confiscated, or an enormous error would be committed. The socialist transformation of the individual agricultural economy could only be achieved through the path of cooperativization. In criticizing the land programs of the opportunists in Germany and France, Engels first put forward the Marxist theory of carrying out the socialist transformation of the individual agricultural economy through cooperatives. Engels said: "**When we are in possession of state power, we shall not even think of forcibly expropriating the small peasants (regardless of whether with or without compensation), as we shall have to do in the case of the big landowners. Our task relative to the small peasant consists, in the first place, in effecting a transition of his private enterprise and private possession to cooperative ones, not forcibly but by dint of example and the proffer of social assistance for this purpose.**"[1]

After the victory of the October Revolution, Lenin and Stalin led the Soviet peasants in smashing the obstruction and sabotage of the rich peasants and their agents within the Party, such as Bukharin, and, on the basis of the principle of voluntariness and with the assistance of the state under the dictatorship of the proletariat, transformed the scattered individual agricultural economy into large-scale socialist collective farms through the path of cooperativization. Thus, practice demonstrated for the first time that the path of cooperativization was the only correct path for carrying out the socialist transformation of the individual agricultural economy.

In the course of leading our country's socialist transformation of agriculture and the entire Party's fierce struggle against Liu Shaoqi's group and its opportunist line, Chairman Mao enriched and developed, both theoretically and practically, the Marxist-Leninist theory of agricultural cooperativization.

Chairman Mao criticized the revisionist line pursued by Liu Shaoqi and his clique after the land reform—promoting the "four freedoms"[2] and preserving and developing the rich-peasant economy—and, in direct opposition, proposed that after the land reform, it was essential to "strike while the iron is hot": before the rural individual economy had undergone extensive stratification, it should be timely guided onto the socialist path of mutual aid and cooperation.

---

[1] Friedrich Engels, "The Peasant Question in France and Germany," in *Marx Engels Selected Works*, Vol. 3.

[2] The so-called "Four Freedoms" refer to the freedom to hire labor, the freedom to buy and sell land, the freedom to engage in lending and borrowing, and the freedom to engage in trade—in other words, the freedom to develop capitalism in the countryside.

When Chairman Mao denounced Liu Shaoqi and his clique's fallacy that "it is impossible to achieve collectivization without large quantities of agricultural machinery," he scientifically elucidated the relationship between agricultural cooperativization and agricultural mechanization, as well as the relationship between the social and technological reforms of agriculture. Chairman Mao pointed out: "**In agriculture, with conditions as they are in our country, co-operation must precede the use of big machinery (in capitalist countries agriculture develops capitalistically)**."[1]

Chairman Mao conducted a scientific analysis of the class situation in the rural areas of our country after the land reform and formulated a proletarian revolutionary line: resolutely relying on the poor peasants and lower-middle peasants, firmly uniting with the other middle peasants, gradually developing mutual aid and cooperation, and gradually moving from restricting rich-peasant exploitation to its eventual elimination. In the course of implementing this revolutionary line, the entire Party, following the policy of comprehensive planning and strengthened leadership and adhering to the principles of voluntariness and mutual benefit, adopted three successive forms: in general, agricultural production mutual-aid groups were first organized, followed by the establishment of elementary agricultural production cooperatives, and then the transition to advanced agricultural production cooperatives. By the end of 1956, our country had basically completed the socialist transformation of individual agriculture.

The transition from mutual-aid groups to elementary cooperatives and then to advanced cooperatives was the result of the objective law that relations of production must correspond to the development of the productive forces.

A mutual-aid group was a collective labor organization for agricultural production, consisting of several or a dozen households and bearing certain rudiments of socialism. It played a positive role in resolving poor peasants' difficulties caused by shortages of labor power, draft animals, and large farm tools; cultivating peasants' habits of collective labor; and developing production. However, mutual-aid groups did not challenge private ownership of the means of production. Mutual-aid groups were small in scale and operated on a decentralized basis, which was not conducive to planting according to local conditions or implementing a relatively rational

---

[1] Mao Zedong, "Co-operative Transformation of Agriculture," in *Selected Works of Mao Zedong*, Vol. V, 197.

division of labor and specialization. They could not effectively utilize land and labor power, and this conflicted with the development of the productive forces. These contradictions drove mutual-aid groups to develop into elementary agricultural production cooperatives, characterized by land as shares and unified management.

A elementary cooperative was a small agricultural production cooperative of a semi-socialist character. Cooperative members contributed their privately owned land, draft animals, and large farm tools as shares, which the cooperative managed and used under unified management. This resolved the contradiction between common labor and decentralized management in mutual-aid groups and further promoted the development of production. However, half or more of a elementary cooperative's net income was distributed according to the amount of collective production labor contributed by each cooperative member, while the remainder was distributed according to the amounts of land, draft animals, large farm tools, and other assets contributed as shares—a practice generally known as "land dividends." This created a contradiction between unified management and collective labor, on the one hand, and private ownership of land and other means of production, on the other. It affected commune members' enthusiasm for work and hindered the further development of the productive forces. These contradictions drove elementary cooperatives to further increase their degree of public ownership and develop into advanced agricultural production cooperatives.

The fundamental difference between the advanced agricultural production cooperative and the elementary cooperative was the abolition of "land dividends." In other words, the means of production were not only collectively operated but also collectively owned. Labor remuneration for commune members followed the socialist principle of "from each according to ability, to each according to work." It was a cooperative of a completely socialist nature. Compared with the elementary cooperative, it was better able to promote the development of agricultural production. However, it also had certain contradictions with the development of the productive forces. In 1958, guided by the General Line for Socialist Construction, China experienced a Great Leap Forward in socialist construction. Under the new circumstances of the Great Leap Forward, particularly the Great Leap Forward in agricultural production, the contradictions between advanced cooperatives and the further development of the productive

forces became pronounced in terms of organizational scale, scope of operations, and degree of collectivization. Advanced cooperatives were small and had limited resources, which was unfavorable for undertaking large-scale capital construction of farmland water-conservancy projects. Because advanced cooperatives were small, they accumulated little capital and could not afford large mechanized farm tools; even if they could afford them, their limited land prevented them from making full use of the equipment. This required the collective ownership of advanced cooperatives to develop further.

In 1958, Chairman Mao summarized the various creative experiences of the broad masses of poor and lower-middle peasants in breaking through the constraints of the advanced agricultural cooperatives during the Great Leap Forward, and issued the great call "**People's communes are good**" to the people of the entire country. From then on, the people's commune, this new form of social organization, appeared like the rising sun on the vast horizon of eastern Asia. Within just two months, the rural areas across the country had basically achieved the people's commune movement.

Although the rural people's commune is still a collective economic organization, it generally consists of one commune per township, and its organizational scale is much larger than that of the advanced cooperative. Its degree of public ownership is also a step further than that of the advanced cooperative because of the economic activities at the commune and brigade levels, giving it the characteristics of "large in size and high in public ownership." It has achieved the integration of government and commune administration, going beyond the scope of the advanced cooperative as a simple economic organization, and achieved the integration of industry, agriculture (including forestry, animal husbandry, sideline production, and fisheries), commerce, education, and the military. It is both a grassroots unit of China's socialist society in the countryside and a grassroots unit of the state power under the dictatorship of the proletariat in the countryside. The establishment of rural people's communes represents the expansion and improvement of socialist collective ownership by the working people. It overcomes the limitations of the advanced cooperative, is more conducive to the development of productive forces in the countryside, and is also more conducive to consolidating the dictatorship of the proletariat.

Establishment of Socialist Public Ownership Was a Great Revolution

Through the expropriation of the expropriators, the cooperativization of the individual economy, and the establishment of rural people's communes, private ownership of the means of production was basically abolished, and socialist ownership by the whole people and socialist collective ownership by the working people were established. The two forms of socialist public ownership replaced private ownership. This was a earth-shaking revolutionary change in the ownership of the means of production in our country. It indicated that the proletariat and working people of our country have basically freed themselves from the chains of private ownership and that the economic base of our socialism had been established. This was a revolutionary leap in the relations of production. The transformation of ownership have brought about a series of changes in economic and social relations.

Over the several thousand years of history from slave society to capitalist society, relations of production were continually replaced, and the forms in which workers were combined with the means of production also differed. Yet one fundamental point remained the same: all these relations of production were characterized by the separation of workers from the means of production. The establishment of socialist public ownership laid the economic foundation for eliminating this separation of workers from the means of production. It began to reverse the inversion of history, bringing about a fundamental change in the social nature of labor. The workers and peasant laboring masses not only gained political liberation but also achieved economic liberation, becoming the masters of the state and of the means of production. As Lenin said: "**For the first time after centuries of working for others, of forced labor for the exploiter, it has become possible to work for oneself and moreover to employ all the achievements of modern technology and culture in one's work.**"[1] Only from this point onward did working people begin to take control of their own destiny and, under the guidance of the Marxist line, usher in a new era of consciously transforming the world and creating history.

---

[1] Vladimir Ilyich Lenin, "How to Organise Competition?,"in *Lenin's Collected Works*, Vol. 26, (Progress Publishers, Moscow, 1972).

The establishment of socialist public ownership has enabled the entire national economy to develop in a planned manner and in proportion, in accordance with the interests of the proletariat and all working people. This has greatly liberated the social productive forces and ensured that the productive forces advance at a pace never seen in the old society.

Socialist public ownership takes the two forms of ownership: socialist ownership by the whole people and socialist collective ownership by working people, which are suited to the current level of development of our productive forces. Compared with collective ownership, ownership by the whole people is a form of socialist ownership with a higher degree of public ownership. Its means of production do not belong to a certain part of the working people of society, but to the working people of society as a whole; they are placed under the unified control of the state under the dictatorship of the proletariat and serve the interests of all working people. The labor force associated with the means of production is likewise not, as in collectively owned units, subject only to the allocation of a particular collective unit; it can be allocated uniformly throughout the country according to the needs of the state. Although the quantity and quality of the means of production owned by the various socialist state-run enterprises differ greatly, personnel working in state-run enterprises do not receive different labor remuneration standards because of differences in the sophistication of their equipment or the amount of their profits.

The socialist economy under ownership by the whole people is the main economic base of the dictatorship of the proletariat. In 1973, industry under ownership by the whole people in our country accounted for 97% of all industrial fixed assets, 63% of industrial employment, and 86% of industrial gross output value. State-run commerce accounted for 92.5% of total retail sales. The socialist economy under ownership by the whole people is the leading force of the socialist national economy. The socialist state carries out the socialist transformation of the small and medium capitalist economy and of the individual economy of peasants and artisans through the leadership of the state-owned economy. After the socialist transformation of ownership was basically completed, the consolidation and development of the collective ownership economy, as well as the development of the national economy as a whole, also proceeded under the leadership of the state-owned economy.

Socialist collective ownership by the working people is a lower form of socialist public ownership. In our country, it accounts for a substantial proportion of agriculture. By 1973, approximately 90% of the cultivated land and irrigation and drainage machinery among our agricultural means of production, and approximately 80% of tractors and large draft animals, were collectively owned. More than 90% of the nation's grain and various cash crops were produced by the collective economy. In addition to collective ownership in agriculture, a small amount of the collective ownership economy also existed in industry and commerce. Socialist collective ownership by the working people, particularly collective ownership in agriculture, occupies an extremely important position in the socialist economy and plays a significant role in the development of the national economy.

There are significant differences, but even closer ties, between the economy under ownership by the whole people and the collective ownership economy. On the one hand, consolidating and developing the state-owned economy is the primary condition for consolidating and developing the collective economy. Without the leadership and support of the state-owned economy, which holds a dominant position in modern industry, the collective economy cannot develop rapidly. On the other hand, as long as agriculture and handicrafts remain based on collective ownership, the development of the state-owned economy likewise cannot be separated from that of the collective economy. Only under the leadership of the economy under ownership by the whole people, by enabling the two forms of socialist ownership and the two economies to support and promote each other and by strengthening economic ties between urban and rural areas, can we promote the rapid development of the entire socialist national economy, consolidate the worker-peasant alliance, and consolidate the dictatorship of the proletariat.

Section Two: The Question of Ownership Has Not Yet Been Completely Resolved

Bourgeois Right Within the Sphere of Ownership Has Not Been Completely Abolished

After socialist public ownership was established, was the ownership question completely resolved? In the field of political economy, a view prevailed for a long time that once socialist ownership was established, the ownership question was completely resolved. The error in this view is that it regards ownership merely as a thing—as simply factories, land, machinery, tools, raw materials, and other means of production—and assumes that since these things were formerly in the hands of capitalists or private individuals, the problem would be solved once the proletariat and working people took them over. This view is one-sided and runs counter to Marxism.

When analyzing capitalist ownership, Marx pointed out: "**Capital is not a thing, but a social relation between persons, established by the instrumentality of things.**"[1] Chairman Mao also repeatedly taught us that after socialist ownership has been established, the issue has still not been completely resolved in terms of ownership. These statements all demonstrate that ownership of the means of production is neither a thing nor a relationship between people and things, but rather a social relation between people connected with things. Only by examining and analyzing actual economic activity can we gain a correct understanding of the issue of socialist ownership.

According to Marxist theory, an examination of the actual development of our country's ownership relations over more than twenty years has fully confirmed the following truth: changing the ownership system and establishing socialist ownership does not mean that the issue of ownership has been completely resolved.

The establishment of socialist ownership by the whole people and collective ownership is, of course, a great transformation in ownership relations; this is beyond doubt. However, the

---

[1] Karl Marx, "Chapter Thirty-Three: The Modern Theory of Colonisation," in *Capital,* Vol. I.

issue has not yet been completely resolved with respect to ownership. This is because bourgeois right has not yet been completely abolished within the sphere of ownership.

Lenin said: "'**Bourgeois law**'[1] **recognizes them as the private property of individuals.**"[2] In 1956, after the socialist transformation of individual agriculture, individual handicrafts, and capitalist industry and commerce in our country have basically been completed, partial private ownership still exists in our industry, agriculture, and commerce. By 1973, individual handicrafts still accounted for 0.8% of the total industrial workforce in our industry; the small reserved plots for personal needs and household sideline production of rural people's communes members in the countryside are also forms of individual ownership; and commerce still includes individual vendors, who accounted for 0.2% of the country's total retail commodity sales. In addition, a considerable amount of market trade still exists in the countryside. This is a form of commodity circulation based on individual ownership. The existence of partial private ownership in our industry, agriculture, and commerce shows that bourgeois right, as manifested in private ownership, has not yet been completely abolished. Urban and rural capitalist forces are in fact constantly using this actually existing aspect of bourgeois right to develop the private economy and to undermine and disrupt the socialist economy.

Within the scope of socialist public ownership, has bourgeois right been completely abolished? It has not yet been completely abolished. Socialist collective ownership is a form of socialist public ownership with a relatively low degree of public ownership. A collective economic unit is an independent production and operating unit that jointly owns the means of production, engages in joint labor, and distributes the proceeds jointly. The land, means of production, labor power, and population possessed by different collective economic units are not the same. Under these conditions, equal amounts of labor invested by different collective economic units cannot yield equal returns. For example, among the various people's communes, the different production brigades within the same commune, and the different production teams within the same brigade, equal amounts of labor invested—including both living labor and

---

[1] Note from translator: "bürgerliche Recht" in original German text is translated as both "right" and "law" in different texts.

[2] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *State and Revolution*, *Lenin's Collected Works*, Vol. 25, (Progress Publishers, Moscow, 1977).

materialized labor—yield different incomes because of differences in the fertility of the land or in geographical location, thereby giving rise to differential land income. Other conditions being equal, communes and production teams possessing higher-quality land and located closer to sales markets obtain higher incomes, while those with the opposite conditions obtain lower incomes.

> With respect to soil conditions, consider the two areas of Maqiao Commune in the suburbs of Shanghai. One area, called the "Yutang area," consists mainly of yellow clay. Its soil is loose and its water-conservancy conditions are good; consequently, its yields are relatively high. In 1974, the average grain yield per mu of the three brigades in this area reached 1,639 jin (12,293 kg/ha). The other area, called the "Linsong area," consists mainly of blue-purple clay. The terrain is low-lying, and whenever it rains, the area becomes waterlogged; as soon as the weather clears, the soil becomes so hard that it cannot be plowed. Its yields are therefore relatively low. In 1974, the average grain yield per mu of the five brigades in this area was only 1,424 jin (10,680 kg/ha), 215 jin per mu less than in the former area.
>
> From the perspective of geographical location, taking the suburbs of Shanghai as an example, production teams near the urban area or industrial areas have many advantages over teams in the distant suburbs. First, fertilizer sources are abundant: they can obtain industrial wastewater and waste residue for use as fertilizer, or, by providing just a few laborers, obtain human excrement from factories and nearby residential areas. Second, transportation is convenient. For production teams near the urban area, whether transporting garbage, delivering vegetables, or collecting swill, the labor required is much less than for teams in the distant suburbs. The latter not only requires more labor, but also incurs greater vehicle wear and tear. All these factors results in a substantial difference in agricultural production costs between teams in the near suburbs and those in the distant suburbs. For example, the Lingjianong production team of Hongqiao Commune, Shanghai County, Shanghai Municipality, is close to the urban area, and its agricultural production costs accounted for only 13.7% of total income; by contrast, at the Western Suburbs Fourth Team, which is somewhat farther from the urban area, agricultural production costs accounted for 33.5% of total income.

Of course, differences among different collective economies in agricultural production costs and income are not all caused by differential land income; rather, they have many causes. In particular, whether the leadership team adheres to the Party's basic line, whether it has mobilized the socialist enthusiasm of the broad masses of poor and lower-middle peasants, and whether it has implemented the principles of "**grain as the key link and all-round development**" and "**run cooperatives diligently and frugally**," among others, are all closely related to the production and income of the collective economy. "It is up to people to get things

done." Even relatively poor conditions can be changed through people's efforts. The Dazhai Brigade, under the guidance of Mao Zedong Thought, battling heaven and earth and reshaping the landscape, transformed itself from poverty to prosperity, providing the most eloquent evidence of this point. However, when people's subjective and active initiative is broadly comparable, the quantity and quality of the land and means of production possessed nevertheless have a major impact on the production and development of the collective ownership economy and on the level of commune members' incomes. It is precisely here that we can see that, compared with socialist ownership by the whole people, collective ownership by the working people is a form of socialist public ownership with a lower degree of public ownership and contains relatively more bourgeois right in its relations of ownership of the means of production.

As regards the relationship between socialist ownership by the whole people and collective ownership, although both are forms of socialist public ownership, they differ in their degree of public ownership. Ultimately, this difference is still manifested as inequality in the relations of ownership of the means of production. At the same time, the relationship between state-run enterprises and collectively owned enterprises in the process of exchange is still one of commodity exchange. Although the "scissors difference" between the prices of industrial and agricultural products has been greatly reduced compared with the old society, it remains difficult to eliminate it completely. Therefore, within the sphere of socialist ownership, the existence of bourgeois right is manifested not only among the various collective ownership economies, but also in the relationship between ownership by the whole people and collective ownership. The elimination of the bourgeois right of the socialist society within the sphere of ownership, as Marx and Lenin once envisaged it, means that all the means of production have become the property of the entire society; clearly, we have not yet reached this stage. "**There is a bridge leading from private property to public property**"[1]; clearly, we have not yet crossed this bridge.

Although socialist ownership by the whole people is a form of socialist ownership with a relatively high degree of public ownership, it is a form of ownership by the whole people that has only just emerged from the old society and therefore cannot avoid bearing the traditions or traces

---

[1] Mao Zedong, "*On Contradiction*," in Selected Works of Mao Zedong, Vol. I, (Foreign Languages Press, 1965), 339.

of the old society. First, under socialist ownership by the whole people, the workers' integration with the means of production is still constrained by the old social division of labor between intellectual labor and physical labor. As long as this old social division of labor continues to exist, managing the economy under socialist ownership by the whole people will remain a "**special functions of a special section of the population,**"[1] and the character of socialist ownership by the whole people as ownership by all the people cannot help but bear the imprint of the old society. Second, although enterprises under socialist ownership by the whole people all belong to all working people and have no different owners, such enterprises are relatively independent economic units in production and operations, and "boundaries between you and me" exist among them; obtaining the products of another enterprise still requires commodity exchange. The relations among the various enterprises under socialist ownership by the whole people are still linked by commodity relations. These circumstances show that socialist ownership by the whole people differs from the future communist ownership by the whole people: it still retains certain traditions or traces of the old society, as well as the bourgeois right that reflects these traditions or traces.

Both Forms of Socialist Public Ownership Involve an Issue of Leadership

After the socialist transformation of the ownership of the means of production was basically completed, the ownership issue was not completely resolved. In addition to the fact, analyzed earlier, that bourgeois right had not been completely abolished within the sphere of ownership, another important issue related to this was that both the economy under ownership by the whole people and the collective ownership economy still involved the question of leadership —namely, the question of which class actually owned the means of production.

The question of ownership, like other questions, cannot be considered solely in terms of its form; its actual content must also be examined, as must the question of which class actually controls it. This is a highly important theoretical and practical issue for Marxism concerning

---

[1] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *State and Revolution*.

ownership. In explaining the abolition of private ownership of the means of production and the establishment of public ownership of the means of production, Engels stated: "**Big industry … makes unavoidably necessary an entirely new organization of society in which production is no longer directed by mutually competing individual industrialists but rather by the whole society operating according to a definite plan and taking account of the needs of all.**"[1] Engels's words tell us that the nature of ownership of the means of production is concentrated in the question of which class gains leadership over enterprises. Once the leadership of an enterprise changes hands, the nature of ownership of the means of production also changes. When capitalists and their agents lead enterprises, they inevitably serve the interests of the capitalists; this is necessarily capitalist ownership. Communist public ownership of the means of production necessarily abolishes private leadership over enterprises, placing them under the leadership of society as a whole in order to meet the needs of all members of society. Socialist public ownership is a form of ownership in which the working people of the whole society, or a section of them, jointly own the means of production. This form of ownership requires that leadership of state-run enterprises and collective enterprises be held by true Marxists and the working people in order to ensure that the means of production are used to serve the interests of workers and to embody the nature of socialist ownership.

The historical experience of the international communist movement and the practice of our revolution have demonstrated that the establishment of socialist public ownership does not mean that leadership of state-run enterprises and collective enterprises has truly come into the hands of the proletariat and the working people. After the proletariat seizes power and basically accomplishes the socialist transformation of ownership of the means of production, the overthrown landlords and bourgeoisie are still present, and their hearts remain unreconciled. New bourgeois elements continue to emerge, one batch after another. The bourgeoisie, especially the bourgeoisie within the Party, will inevitably do everything possible to seize leadership of the enterprises. At the same time, because socialist society still contains the difference between workers and peasants, the difference between urban and rural areas, and the difference between

---

[1] Friedrich Engels, "The Principles of Communism," In *Marx Engels Selected Works*, Vol. 1, (Progress Publishers, Moscow, 1969).

physical labor and intellectual labor,[1] and because the old social division of labor still exists, the functions of leadership and management cannot yet be exercised in rotation by everyone, but can only be relatively fixed in the hands of a portion of the cadres. Under these conditions, if the cadres dispatched by the state under the dictatorship of the proletariat to assume leadership of enterprises become true Marxists and manage and operate the enterprises together with the working masses, conducting production and business activities genuinely in accordance with the interests of the workers, the nature of socialist public ownership will be safeguarded. Conversely, if these leading cadres degenerate into capitalist-roaders disguised in the outer garb of Party members, or are corrupted by the bourgeoisie, and in leading production and business activities represent not the interests of the workers but those of the bourgeoisie, then, although the enterprises are still nominally called socialist state-run enterprises or socialist collective enterprises, leadership of the enterprises has in fact fallen into the hands of the bourgeoisie, and ownership has in fact degenerated and changed in nature to varying degrees. Therefore, every socialist enterprise faces the question of which class nominally and actually holds leadership. At the First Plenary Session of the Ninth Central Committee of the Party, Chairman Mao pointed out: "**From my observations, I am afraid that in a fairly large majority of factories — I don't mean all or the overwhelming majority — leadership was not in the hands of real Marxists and the masses of workers. Not that there were no good people in the leadership of the factories. There were. There were good people among the secretaries, deputy secretaries and members of Party committees and among the Party branch secretaries. But they followed that line of Liu Shaoqi's, just resorting to material incentive, putting profit in command, and instead of promoting proletarian politics, handing out bonuses, and so forth.**" "**But there are indeed bad people in the factories.**" "**This shows that the revolution is still unfinished.**"[2]

---

[1] Note from translator: Mao Zedong was the first to theorize the difference between workers and peasants, the difference between urban and rural areas, and the difference between physical labor and intellectual labor as the "three major differences" in socialism. The Great Proletarian Cultural Revolution aimed to reduce the three major differences.

[2] Zhang Chunqiao, "On Exercising All-Round Dictatorship Over the Bourgeoisie," *Hongqi,* no. 4 (1975): 6-7.

Then, how can we determine whether the leadership of an enterprise is truly in the hands of Marxists and the working people? This must be examined through the enterprise's production and business operations. Each class conducts production and business activities according to a particular line. Therefore, by looking at which line the enterprise's leaders follow, we can determine which class's interests are reflected in the ownership relations.

The Party's Marxist line reflects the fundamental interests of the proletariat and all working people. In the production and business activities of socialist enterprises, if the Marxist line is implemented, this indicates that the enterprise's means of production are indeed controlled in accordance with the interests of the workers and used to serve those interests; leadership there is in the hands of true Marxists and the working masses. If an enterprise implements the revisionist line, this indicates that its means of production are in fact controlled according to the needs of the restoration of capitalism and serve the interests of the bourgeoisie. In an enterprise's production and business activities, if it does not uphold putting proletarian politics in command but instead adopts "putting profit in command," it has fundamentally departed from the socialist orientation, changed the purpose of socialist production, and slipped onto the capitalist road. If this continues, the means of production will ultimately be transformed into capital—into tools that disregard the interests of the people and pursue profit alone.

Therefore, in order for enterprises to advance along a socialist orientation and to unify nominal and actual ownership, it is essential that leadership of the enterprises be placed in the hands of Marxists while also being held by the broad working masses. Leadership held by the broad working masses means that, under the unified leadership of the Party, the broad working masses genuinely participate directly in leading and managing enterprises as their masters; break through the boundaries of the old social division of labor between intellectual labor and physical labor; focus on major matters, administer the line, grasp the direction, and transform enterprises in accordance with the interests of the proletariat and the working people. The right of the broad masses to lead enterprises is an expression of the nature of socialist public ownership. It must not be assumed that the working masses have no leadership over socialist enterprises, but only the right to work, the right to education, the right to rest, and so on under the leadership of certain

individuals. Holding leadership of the enterprises is the fundamental right of the working masses; without this right, their other rights cannot be guaranteed.

Leadership of enterprises must be held both by true Marxists and by the broad masses of working people. This was an important issue raised by Chairman Mao, the great leader, after summing up the historical experience of the international communist movement. Judging from the history of the international communist movement, if leadership of socialist enterprises is not held by true Marxists and the broad masses of working people, but instead revisionist "one-man management" is implemented, it will in practice separate the working people from the means of production. Deng Xiaoping trumpeted: "'One-man management' is good; it has not hindered the development of production or science." This is entirely the language of the bourgeoisie oppressing the workers. Under "one-man management," the working people are forced to obey the "one-man manager," who uses them as mere labor power in the production process. They thereby lose their fundamental rights and will ultimately inevitably suffer exploitation and oppression at the hands of the bourgeois "one-man manager." Engels pointed out: "**The management of industry by individuals necessarily implies private property.**"[1] Following in the footsteps of Soviet revisionism, Deng Xiaoping frantically promoted revisionist "one-man management" in order to transform socialist public ownership into capitalist private ownership.

[1] Frederick Engels, "The Principles of Communism," in *Marx Engels Selected Works*, Vol. 1.

Section Three: Restoration of Capitalist Ownership in the Soviet Union

Economic Base of the Restoration of Capitalism

Under certain conditions, socialist ownership can be restored to capitalist ownership. This is not merely a theoretical issue; in the Soviet Union, it has already become a reality. In today's Soviet Union, socialist ownership by the whole people and socialist collective ownership established during the leadership of Lenin and Stalin have completely degenerated into ownership by the bureaucratic monopoly bourgeoisie. Clarifying how the Khrushchev and Brezhnev traitor cliques transformed socialist ownership into ownership by the bureaucratic monopoly bourgeoisie in the Soviet Union, and drawing lessons from this historical experience, is of great theoretical and practical significance for consolidating our dictatorship of the proletariat, preventing the restoration of capitalism, and creating conditions under which the bourgeoisie can neither exist nor emerge again.

After the October Revolution, under the leadership of Lenin and Stalin, the Soviet Union had basically completed the socialist transformation of the ownership of the means of production by 1936 through socialist nationalization and agricultural collectivization. This was a great victory achieved by the Soviet people in the course of the socialist revolution.

Although the means of production of the landlords and capitalists were expropriated and they were overthrown politically, this absolutely did not mean that these exploiting classes had been eliminated; these people still existed, and this class still existed. Nikolai Alekseevich

Voznesensky[1], a Capitalist-roader hidden within the All-Union Communist Party (Bolsheviks), had been publishing books and advancing theories since the 1930s, claiming that the ownership problem in the Soviet Union had been resolved, the exploiting classes had been eliminated, and the principal contradiction in socialist society was no longer the contradiction between the proletariat and the bourgeoisie, but rather that between advanced relations of production and backward productive forces. In fact, at that time in the Soviet Union, not only did the overthrown exploiting classes still exist, but a new bourgeoisie was also continually emerging; the existence of bourgeois right was an important economic basis for the emergence of the new bourgeoisie.

From the standpoint of ownership, in what respects was bourgeois right manifested at that time? First, partial private ownership still existed in Soviet industry, agriculture, and commerce.

In 1937, in terms of output value, individual handicrafts accounted for 0.2% in industry; in agriculture, individual agriculture accounted for 1.5%; and in commerce, in 1940 the collective farm market accounted for 14.3% of total commodity turnover. The personal subsidiary production of collective peasants and employees still occupied a significant place in economic life. According to the "Model Statute on Agricultural Labor Artels" approved by the Council of People's Commissars of the Soviet Union and the Central Committee of the All-Union Communist Party (Bolsheviks) in February 1935, each collective farm household was

---

[1] Nikolai Alekseevich Voznesensky (1903–1950), a Soviet doctor of economics and an academician of the Academy of Sciences. He served as chairman of the State Planning Commission of the Soviet Union, deputy chairman and first deputy chairman of the Council of People's Commissars of the Soviet Union (Council of Ministers), and held other posts. After the Seventeenth Congress of the All-Union Communist Party (Bolsheviks), he was elected a member of the Central Control Commission, a member of the Central Committee, a candidate member of the Politburo, and a member of the Politburo. His principal works include *Problems of Socialist Economy* (1931), *The Dictatorship of the Proletariat and Socialist Economy* (1933), *On Soviet Currency* (1935), and *The Soviet Wartime Economy during the Patriotic War* (1947). During the period when he led the Soviet Union's economic work, he pursued a revisionist line that relied on the law of value to regulate production and exchange and vigorously promoted material incentives. Stalin criticized him for "seeking the restoration of capitalism in Russia" and removed him from office. After Khrushchev came to power, Voznesensky's reputation was restored, and he was praised as "an outstanding activist of the Communist Party and economic science," "an outstanding organizer of socialist planning," and so on.

In *Problems of Socialist Economy*, Voznesensky proclaimed that the principal contradiction of socialism was the contradiction between advanced socialist relations of production and backward productive forces, and that the way to resolve this contradiction was to develop the productive forces continuously. He said: "The Soviet proletariat resolves the contradiction between advanced socialist relations of production and relatively backward productive forces by raising the level of development of the productive forces; and raising the productive forces on the basis of socialism is intended to 'catch up with and surpass the advanced capitalist countries' and to build socialist society. Eliminating this contradiction is the substance of the proletariat and its party's heroic struggle during the transition period." "After classes and class antagonism have disappeared, this contradiction will become the basic internal contradiction of the socialist economy. This contradiction will be resolved by socialist workers' collectives developing production at an unprecedented pace."

allocated a household plot of one-quarter to one-half hectare for personal use and the operation of subsidiary production, and in some regions this could reach one hectare. Although the land occupied by the personal subsidiary production of collective farm members accounted for only 3% of the country's total sown area, when calculated according to the sown area of vegetable and melon crops and potatoes, its share exceeded 30%.

The Nationwide Sown Area of Vegetable, Melon Crops, and Potatoes as 100	1940	1950
State Farms and Other State Agricultural Enterprises	4.6	6.0
Collective Farms	42.8	44.9
Personal Subsidiary Production of Collective Farm Members	31.3	34.1
Personal Subsidiary Production of Workers and Employees	6.3	12.0
Individual Farmers and Other Population Groups	15.0	3.0

According to the provisions of the "1935 Model Statute on Agricultural Labor Associations," in the main agricultural regions, each household on a collective farm could keep one dairy cow, two calves, one or two sows with piglets, fewer than ten sheep and goats, any number of poultry and domestic rabbits, and fewer than twenty beehives; in animal-husbandry regions, this allowance could be increased somewhat, but in practice it was often exceeded. Livestock privately raised by collective-farm members accounted for a substantial proportion of the country's total livestock.

The foregoing material shows that, after the 1930s, although the economy under ownership by the whole people and the collective ownership economy had gained dominance in every sector of the Soviet Union's national economy, elements of private ownership still existed in the industrial, agricultural, and commercial departments. In agriculture, the proportion held by ownership by the whole people was still very small, while collective ownership itself was not yet fully developed. Bourgeois right had not been completely abolished within the sphere of ownership.

It must be particularly pointed out that, regardless of whether they are state-run enterprises or collectively owned enterprises, in a considerable majority of them, leadership is

not in the hands of true Marxists and the broad masses of working people, but rather in the hands of capitalist roaders in authority within the Party.

> The Nineteenth Congress of the CPSU in 1952 exposed the following: "Quite a few officials have forgotten that the enterprises entrusted to their management and leadership are state-owned enterprises, and have even attempted to turn these enterprises into their hereditary domains"; "there they establish their own 'order' and their own 'discipline'"; "they can do anything"; they "act outrageously." For example, in Ulyanovsk Oblast, "some officials in the leadership bodies, as well as Soviet and Party officials, have become corrupt and degenerate, going so far as to embezzle public funds and squander and steal state property." At the Perm Oblast Food Combine Factory, "the plant managers violate state discipline, frequently abuse their authority, and illegally embezzle large quantities of various materials and products from the enterprise." In state-owned commerce institutions, there were also "many instances of the theft of public property."
>
> In the collective farms, some leaders exploited their authority to steal public property on a large scale. Soviet newspapers disclosed at the time that Shurbakiyev, chairman of a collective farm in Enbekshikazakh District, Almaty Oblast, "placed all his relatives and friends in positions responsible for managing supplies and money," forming a theft ring that, from 1945 to 1952, "stole and appropriated public property" for eight years, "amassing a fortune." In terms of management, "certain leaders adopted an incorrect policy. They cultivated independent production groups in the collective farms and abolished the production teams," even introducing contracting output to groups and undermining collective ownership. In 1950, there were already 881 such groups in the collective farms of Staro-Oskol District, Kursk Oblast, and 442 in Svoboda District.

These circumstances show that, before the Khrushchev and Brezhnev traitor clique usurped the supreme party and state power of the Soviet Union, not only did the old bourgeoisie continue to exist in the Soviet Union, but the new bourgeoisie also emerged batch after batch. When the bourgeoisie's economic power developed to a certain extent, its political representatives would demand political rule, demand the overthrow of the dictatorship of the proletariat and socialism, demand a wholesale transformation of socialist ownership, and restore and develop capitalism. Indeed, after Stalin's death, the Khrushchev traitor clique launched a counterrevolutionary coup, turning the bourgeoisie's hope of restoring capitalism throughout the Soviet Union into a reality.

Soviet Revisionists Transformed Socialist Ownership Into Ownership by the Bureaucratic Monopoly Bourgeoisie

The transformation of the Soviet Union's socialist ownership by the whole people into ownership by the bureaucratic monopoly bourgeoisie was closely linked to the change in the nature of the Soviet state. Socialist ownership by the whole people existed in the form of socialist state ownership, while the accession to power of the Khrushchev and Brezhnev traitor clique meant the accession to power of the bourgeoisie; once the class nature of the state changed, the nature of ownership necessarily changed accordingly. The process by which the Soviet Union degenerated from a socialist state under the dictatorship of the proletariat into a fascist state under the dictatorship of the bureaucratic monopoly bourgeoisie was also the process by which the Soviet Union's socialist ownership by the whole people degenerated and transformed into ownership by the bureaucratic monopoly bourgeoisie.

After the traitor clique of Khrushchev and Brezhnev came to power, the comprehensive restoration of capitalism in the Soviet Union's economic sphere was achieved by pursuing a revisionist line centered on putting profit in command and material incentives. As early as 1953, the traitor clique of Khrushchev adopted resolutions on "expanding enterprise managers' powers" and "expanding plant managers' authority." At the Twentieth Congress of the Soviet revisionists, held in February 1956, Khrushchev clamored that the "principle of individual material incentives" must be "implemented thoroughly." In 1957, Khrushchev proposed making "profitability and use of production funds" important indicators for planning and assessing enterprises and construction units. At the Twenty-Second Congress of the Soviet revisionists in 1961, it was further proposed that "the significance of profit and profitability should be raised," making this a "programmatic requirement" of the Party. In September 1962, the Soviet revisionists published in *Pravda* a vicious article entitled "Plan, Profit, Bonuses" by their pet

economist Lieberman[1], systematically advocating a state-owned enterprise management scheme centered on putting profit in command and material incentives, and organized discussions of this vicious article in major newspapers and periodicals. Following this round of public-opinion preparation, the Soviet revisionist Central Plenum of November 1963 endorsed Lieberman's proposals and decided to "conduct experiments on a broad scale."

The main content of "Lieberman's proposal" was to replace "administrative means" with "economic means (profit, bonuses, prices, money, etc.)" to "stimulate" enterprise production. The specific measures were: evaluating enterprise performance according to the rate of profit, so that "the higher the rate of profit, the greater the bonus"; simplifying and "improving" enterprise planning, with the state issuing enterprises only two targets: "the output and varieties of products and delivery deadlines"; expanding enterprises' authority to use reward funds drawn from profits; and stipulating the "principles and procedures for flexibly setting new product prices" to ensure profit.

As soon as Lieberman's proposal emerged, in October 1962, the Economic Planning Bureau of the State Planning Commission of the Soviet revisionists decided to conduct trials in Ukraine and Leningrad. The Women Bolshevik Factory of the Moscow City Council of the National Economy and the Lighthouse Factory of the Volga–Vyatka Council of the National Economy also began testing the "new planning system" on July 1, 1964.

What is the "Lieberman's proposal" really? Put plainly, it means organizing enterprises' production and business activities according to the capitalist profit principle. Everything is done for the sake of making money; apart from getting rich as quickly as possible, there is nothing

---

[1] Yevsei Grigorievich Lieberman (1897), a Soviet doctor of economics, professor at the Kharkov Institute of Engineering and Economics, head of the Economic Research Department of the Kharkov Council of National Economy, and member of the editorial board of Economic Science. In 1950, he published an article entitled "A Plan for the Profitability of Industrial Enterprises," advocating the management of the socialist economy through material incentives and putting profit in command; at the time, however, it attracted no public attention. After the Twentieth Congress of the Soviet revisionists, with the support of Khrushchev's traitor clique, he suddenly became exceptionally active. He successively published articles attacking the principles of the socialist planned economy and shouting that the economy could not be managed by administrative means. In 1962, he published "Plan, Profit, Bonuses," advocating the use of profit to assess enterprise performance and improve the entire planning system. He urged granting enterprises greater "freedom of business activity," expanding their authority to use funds for collective and individual rewards, and argued that the greater an enterprise's profit, the greater the bonuses retained by the enterprise should be. *Pravda* praised it for "raising important questions of principle" and having "enormous significance," organized discussions throughout the country, and generated extensive public opinion in favor of the restoration of capitalism.

else. Implementing Lieberman's proposal means carrying out production and business operations according to capitalist principles, restoring capitalism, once again separating workers from the means of production, and transforming the means of production into capital.

Since Brezhnev came to power in October 1964, under the pretext of "extensively implementing" "economic reform," he used the so-called "Regulations on Socialist State-Owned Production Enterprises" and other resolutions to codify Khrushchev's measures for the restoration of capitalism in legal form, thereby creating the "new economic system" for the restoration of capitalism.

> The Soviet revisionist "Regulations on Socialist State-Owned Production Enterprises" stipulate: "The authority over relevant production and business activities shall be exercised by the manager (person in charge, proprietor) and other responsible personnel of the enterprise in accordance with the division of duties." The enterprise manager has the power to determine the enterprise's staffing quota; to "hire and dismiss employees, and take measures to reward or discipline the enterprise's employees"; to determine employees' wages and bonuses; to sell, transfer, or lease the enterprise's means of production; and to control the various "economic incentive funds, etc." placed at the enterprise's own disposal.

Lenin pointed out: "**The deepest economic foundation of imperialism is monopoly.**"[1] The monopoly capital of capitalist countries is the product of a long process in which, under free competition, the big fish eat the small fish, together with the concentration of capital and the centralization of capital. If capitalism is fully restored in a socialist state, then, because the original socialist ownership-by-the-whole-people economy was a highly socialized economy closely integrated with state power, the capitalist economy arising from the degeneration and transformation of socialist ownership by the whole people will necessarily manifest itself from the outset as highly concentrated state-monopoly capitalism. The bourgeoisie associated with this is the bureaucratic monopoly bourgeoisie. The capitalism restored in the Soviet Union is precisely this kind of state-monopoly capitalism. It is the economic foundation of Soviet revisionist social imperialism. For this very reason, the Brezhnev traitor clique actively imitated the methods of capitalist monopoly organizations and vigorously promoted the so-called

---

[1] Vladimir Ilyich Lenin, "Imperialism, the Highest Stage of Capitalism," in *Lenin's Selected Works*, Vol. 22, (Progress Publishers, Moscow, 1964).

production association companies "based on economic accounting," in order to strengthen the bourgeois monopoly rule of this group of traitors over the Soviet economy.

> Production association companies first appeared in 1961, namely at the Forward Shoe Company and Dawn Leather Company in the Lviv Economic Administrative Region of Ukraine. In 1962, the November Plenary Session of the Central Committee of the Soviet revisionists decided to gradually merge enterprises and establish various production association organizations (companies), and conducted experiments in Moscow, Leningrad, and other places. By the Twenty-Fourth Congress of the Soviet revisionists, Brezhnev further emphasized: "The policy of establishing association companies and association enterprises must be implemented more resolutely—their future role should be that of the basic economic accounting units of social production." On March 2, 1973, the Central Committee of the Soviet revisionists and the Council of Ministers of the Soviet Union concocted *Several Measures on Further Improving Industrial Management*, requiring the consolidation and accelerated development of production association companies. Thus, production association companies, the primary organizations of state monopoly capitalism, rapidly developed under the impetus of the Soviet revisionist traitor clique. The Soviet revisionists stated: "Merging enterprises by making currently independent small and medium-sized enterprises subordinate to large enterprises is of urgent significance." Under the relentless advocacy and coercion of Brezhnev and his gang, all-Union association companies increased from just a few in the early 1960s to more than 1,500 by October 1974.

While transforming socialist ownership by the whole people into ownership by the bureaucratic monopoly bourgeoisie, the Soviet revisionist traitor clique also altered the nature of socialist collective ownership. Although the name "collective farm" has not changed, its substance, like that of state-owned enterprises, has also changed.

A collective farm is a form of the cooperative system. Marxists have never examined the nature of the cooperative system in isolation; rather, they have studied it in connection with a particular form of state power and the dominant economic form. In his work "On Cooperation," Lenin clearly pointed out that not every cooperative is socialist in character. Lenin said: "**In the capitalist state, cooperatives are no doubt collective capitalist institutions.**"[1] At present, a considerable number of capitalist countries have consumer or producer cooperatives, but these cooperatives are all operated according to capitalist principles and are, in reality, forms of capitalist economy. The utopian socialist Robert Owen once established cooperatives in capitalist

[1] Vladimir Ilyich Lenin, "On Cooperation," in *Lenin's Collected Works*, Vol.33, (Progress Publishers, Moscow, 1965).

countries, but under pressure from the capitalist economy, they soon either disintegrated or changed in character. Only under the leadership and assistance of a state under the dictatorship of the proletariat and a socialist state-owned economy can cooperative organizations based on socialist collective ownership by the working people be established, consolidated, and developed. The collective farms of the Soviet Union during the period of Stalin's leadership were such cooperative organizations based on socialist collective ownership by the working people.

After Khrushchev and Brezhnev came to power, they completely changed the socialist nature of the Soviet Union's collective farms. They first replaced large numbers of collective farm chairmen, sending their henchmen to usurp leadership of the collective farms under such banners as "knowledgeable experts" and "talented organizers," and strengthened the control of the state machinery of the Soviet revisionists over the collective farms through the State Bank of the Soviet revisionists in the form of loans and financial supervision. In the countryside, they also implemented the rule of the revisionist line: on the one hand, they advocated thoroughly implementing the principle of "individual material incentives" by "expanding commodity-money relations," so that "the state and collective farms would be based on such economic relations"; on the other hand, they continuously carried out "adjustments" and "reorganizations," steering the collective farms onto the capitalist road.

> As early as March 9, 1955, the Soviet revisionist traitor clique attacked the agricultural planning system of the Stalin period as "unnecessary," "bureaucratic, excessively exaggerated, and divorced from the realities of life." It stipulated that "commodity output should be the starting point of planning," replacing the previously issued production plans (including plans for crop varieties and sown areas); as long as collective farms fulfilled their obligations to sell to the state, they could independently decide the sown areas for various crops, as well as the livestock product rate and the number of livestock: "As for how these products are to be produced, that is a matter for the farm members and the collective farm chairman themselves."
>
> The so-called "Model Charter of Collective Farms" promulgated in 1969 further stipulated that the chairman of a "collective farm" had the right to lease or transfer the state-owned land used by the farm; the right to dispose of the farm's property and funds, including freely buying and selling agricultural machinery and other means of production; the right to determine farm members' labor remuneration and bonuses; and the right to expel farm members and hired workers, among other powers.

Following this series of "adjustments" and "reorganizations," the means of production in the Soviet countryside that originally belonged collectively to the broad masses of working peasants have fallen into the hands of the bureaucratic monopoly bourgeoisie headed by Brezhnev.

In addition to transforming socialist public ownership into ownership by the bureaucratic monopoly bourgeoisie, the Soviet revisionist traitor clique vigorously supported individual private ownership in both urban and rural areas by developing household sideline production, expanding household plots, encouraging free trade, and so forth.

> In 1957, farm members engaged in private labor in the Soviet Union accounted for 32% of the total number of collective farm members (calculated on the basis of adult farm members who are part of the workforce).
>
> In 1959, throughout the Soviet Union, 9.9 million people engaged in personal subsidiary production, while 12.8 million were engaged in household work. Together, they accounted for 17.7% of the total labor force of 128 million. By 1965, this proportion had risen to 20% (25 million), reaching as high as 26% in Siberia.
>
> The private economy occupied an important position in the Soviet Union's economy: in 1958, products from personal subsidiary production throughout the Soviet Union accounted for 31.8% of agricultural production in collective farms. In animal husbandry, the share of private animal husbandry was even greater. In 1960, the proportions of privately owned livestock from personal subsidiary production throughout the Soviet Union relative to the country's total livestock population were as follows: cattle—30.4%; sheep—21.1%; goats—81.4%. According to statistics from 1960, on average throughout the Soviet Union, 43% of each collective-farm household's living expenses had to be covered by income from personal subsidiary production; in many regions, the figure exceeded one-half.
>
> The Soviet Union's so-called collective farm markets had long since become capitalist free markets. They continued to expand with the development of the private economy. In March 1966, there were more than 7,200 nationwide; after 1970, the number grew to more than 8,000. These markets referred to permanent markets at designated locations. The small markets scattered throughout docks, ports, railway stations, and other places, which the Soviet revisionists called spontaneous markets, were not included.

The Soviet revisionist traitor clique promotes individual private ownership in order to make this individual economy a supplement to the economy of the bureaucratic monopoly bourgeoisie and a social foundation for the rule of the bureaucratic monopoly bourgeoisie.

The process by which the Soviet revisionist traitor clique transformed socialist ownership into ownership by the bureaucratic monopoly bourgeoisie was also the process through which the broad masses of workers and peasants in the Soviet Union once again lost the means of production and became wage slaves.

The Soviet revisionist traitor clique, through its agents in various enterprises, uses every means—management, control, deductions, fines, and so on—to intensify the exploitation of workers with ruthless brutality. In addition to exploiting workers in the name of the state through taxes and profit remittances, it arbitrarily expands and strengthens bourgeois right in the sphere of distribution. Through high wages, large bonuses, and a wide variety of personal allowances, it enables such privileged classes as bureaucrats, plant managers, managers, chief engineers, and chief accountants to exploit workers without restraint.

> According to the Soviet revisionist press, after the implementation of Brezhnev's "new economic system," the monthly piece-rate wages of lathe operators in Soviet Union state-owned enterprises were 50 to 60 rubles for the lowest-paid workers and 70 to 80 rubles for those in the middle range. Yet the managers, plant managers, and other members of the bureaucratic monopoly bourgeoisie extracted through legal means such as wages, bonuses, and subsidies amounts dozens or even hundreds of times higher than the workers' wage income; what they extracted through illegal means such as embezzlement and theft is not even included.
>
> Since 1969, the Soviet revisionist traitor clique has vigorously advocated and promoted the "workforce-reduction experiment" at the Shchekino Chemical Combine in order to intensify the exploitation of workers. This "experiment" was an important step in the Soviet revisionists' implementation of the "new economic system," as well as an important measure for intensifying the exploitation of workers. The "workforce-reduction experiment" reduced the workforce by intensifying labor through measures such as "increasing the workload and expanding the scope of services." At the same time, it stipulated that the enterprise's total wage fund would remain unchanged for several years, while the wage fund left over as a result of workforce reductions would be retained by the enterprise and controlled by a small privileged class. The result of the "workforce-reduction experiment" was not only that a small privileged class embezzled most of the surplus wage fund, but also that batches of workers were dismissed and placed in a state of unemployment or partial unemployment, creating a relative surplus population. According to disclosures in the Soviet revisionist press, the 292 enterprises in the Russian Federation that "worked according to the Shchekino model" had already laid off 70,000 workers by July 1, 1973. Even the First Secretary of the Moscow Regional Party Committee had to admit that, as a result of implementing the "new system" and dismissing large numbers of workers, unemployment had become a problem "on a nationwide scale" in the Soviet Union.

Today, the Soviet Union's bureaucratic monopoly bourgeoisie exploits Soviet workers to a degree far exceeding that of the capitalists in tsarist Russia. According to statistics, in 1908 the exploitation rate in Russia's industrial sector was approximately 100%, whereas in 1973 the exploitation rate in the Soviet Union's industrial sector reached as high as 200%.

Brutal exploitation aroused the discontent and anger of the broad masses of workers. An old Soviet worker with thirty years of work experience said: "There are many millionaires here." "They have nothing in common with us—not only in terms of their way of life, but also in their language." A student at a university in Moscow said: "The Soviet Union is now a capitalist country. High-paid people live better than capitalists in the West, and all the factories and enterprises in the country are in their hands. Ordinary people, meanwhile, live in great poverty—indeed, even worse than in the tsarist era."

In 1970, ordinary collective-farm members in the Soviet Union actually received less than sixty rubles in remuneration per month. An ordinary collective farm chairman received more than three hundred rubles per month, and some received as much as over one thousand rubles. Chief economists, accountants, agronomists, mechanics, animal husbandry specialists, and other key experts received between two hundred and three hundred rubles per month. The income of a collective farm chairman was ten to twenty times higher than that of an ordinary member. In addition, collective farm chairmen and their "think tanks" exploited the members under such pretexts as "bonuses" and "subsidies." The chairman of a collective farm in Zhytomyr Oblast, Ukraine, appropriated 15% to 25% of the farm's entire labor remuneration fund under the pretext of "administrative expenses" alone. Some collective farm chairmen lived in luxurious residences and extravagantly, owning cars and villas, while the vast majority of members lived in crude wooden huts and small adobe houses and led impoverished lives.

The current plight of the broad masses of workers and peasants in the Soviet Union shows that once proletarian power has been usurped by the bourgeoisie, the working people will inevitably fall back into the abyss of exploitation and oppression, suffering all over again.

The deeper the oppression, the fiercer the resistance—this is the law of class struggle. Chairman Mao taught us: "**The Soviet Union is the first socialist state, and the Communist Party of the Soviet Union is the Party was created by Lenin. Although the leadership of the Party and the state in the Soviet Union has now been usurped by revisionists, I urge my comrades to firmly believe that the broad masses of the Soviet people, the broad ranks of Party members and cadres, are good and want revolution; revisionist rule will not last long.**"[1] The Brezhnev traitor clique's reactionary policies and actions can ultimately only result in bringing ruin upon itself and receiving severe punishment from history.

---

[1] "Proceed Along the Path Opened by the October Socialist Revolution—Commemorating the 50th Anniversary of the Great October Socialist Revolution," *Hongqi*, no. 16 (1967): 17.

Section Four: Socialist Public Ownership Is Consolidated and Developed Through Struggle

Consolidation and Improvement of Socialist Ownership by the Whole People

After socialist public ownership has been established, since it is still far from perfect and bourgeois right has not yet been completely abolished; since the question of which class actually owns it still remains, and the possibility still exists that leadership will be usurped by the bourgeoisie, the view that once socialist public ownership is established, the question of who will prevail is permanently and completely resolved is therefore extremely wrong and does not accord with the objective reality of socialist ownership. In fact, after socialist public ownership has been established, there is still a long process of consolidating, perfecting, and developing it amid acute and complex class struggle. The lesson of the restoration of capitalism in the Soviet Union has made the historical task of consolidating and developing socialist public ownership through struggle starkly apparent to the proletariat and all working people of the socialist state.

To consolidate and develop socialist public ownership, it is first necessary to consolidate and improve socialist ownership by the whole people, which holds the leading position in the national economy. The key to consolidating and improving socialist ownership by the whole people is to restrict bourgeois right.

Bourgeois right is the concentrated expression of the traditions or remnants of the old society within socialist relations of production, and is the soil in which capitalism and the bourgeoisie arise. Once bourgeois right is strengthened and expanded, socialist ownership by the whole people will be corroded and degenerate into ownership by capitalist-roaders and ownership by the bureaucratic monopoly bourgeoisie. The bourgeoisie within the Party is the personification of this ownership by capitalist-roaders and ownership by the bureaucratic monopoly bourgeoisie.

In enterprises under socialist ownership by the whole people, the old social division of labor between intellectual labor and physical labor still exists, and bourgeois right is therefore

retained. Consequently, in the production process, it is inevitable that direct producers (physical laborers) will sometimes carry out production activities in accordance with the will of a small number of management personnel (intellectual laborers). The existence of this old social division of labor is the economic basis for the emergence of one-man management, in which intellectual laborers rule over physical laborers. At the same time, enterprises under socialist ownership by the whole people still engage in commodity production and commodity exchange, and thus retain bourgeois right; this provides the economic basis for one group of people seeking to rule another through commodity relations. As for distribution according to work in enterprises under socialist ownership by the whole people, the principle generally applied is still that of commodity exchange: a certain quantity of labor is exchanged for a certain quantity of labor. The existence of this bourgeois right is an important source of the emergence of Shylock-like figures. In short, the bourgeois right that has not yet been completely abolished in the sphere of socialist ownership by the whole people, together with the bourgeois right that persists seriously in mutual relations and occupies a dominant position in distribution, constitutes an important economic basis for the emergence of capitalism and a new bourgeoisie. The process by which a new bourgeoisie emerges is always linked to the process of strengthening and expanding bourgeois right.

When analyzing capitalist ownership, Marx once quoted the following remark by Aristotle: "For the master proves himself such not by obtaining slaves but in employing slaves." Marx went on to say that a capitalist likewise proves that he is a capitalist "**not by ownership of capital which gives him power to buy labor-power,**" but "**but in using laborers, nowadays wage-laborers, in the production process.**"[1] Marx's words clearly tell us that, in judging the nature of a form of ownership of the means of production, one must not look at whose hands the means of production are nominally in, but at the actual operation of the ownership relations in the production process. In the socialist production process, if workers can only submit to one-man management, can only be used and consumed in the production process simply as labor power, and can only silently submit to the rule of commodity relations (how much work they do

[1] Karl Marx, "Chapter 23. Interest and Profit of Enterprise," in *Capital*, Vol. III, ed. Frederick Engels (Institute of Marxism-Leninism, 1959).

determines how much money they receive), without any right whatsoever to ask why production takes place, what is produced, or how it is produced, then this signifies that a bourgeoisie occupying a position of dominance in production and organizing production activities according to capitalist principles—that is, capitalist roaders in authority within the Party—has emerged. This situation was already clearly manifested in the process by which socialist ownership by the whole people in the Soviet Union degenerated into ownership by the bureaucratic monopoly bourgeoisie. For the working class, which is the principal component and leading force of socialist ownership by the whole people, this situation is of course intolerable. After establishing ownership by the whole people, they did not stop; they demanded that the revolution continue, did not want bourgeois right to oppress them, and demanded that bourgeois right be restricted under the dictatorship of the proletariat. The series of theories, lines, principles, policies, and measures put forward by Chairman Mao for restricting bourgeois right gave concentrated expression to the demand of the working class and the broad masses of working people for the continued revolution, and constituted a powerful ideological weapon for criticizing bourgeois right and the bourgeoisie, especially the bourgeoisie within the Party. Firmly implementing Chairman Mao's series of important directives, resolutely opposing one-man management, placing leadership in the hands of true Marxists and the working masses, and restricting the commodity system and bourgeois right in distribution according to work will inevitably enable socialist ownership by the whole people to be continuously consolidated and perfected through struggle.

Of course, under the dictatorship of the proletariat, limiting bourgeois right, the development of capitalism, and the emergence of the bourgeoisie within the Party are also unavoidable. However, there is a fundamental difference between imposing limits and imposing none. Without limits, bourgeois right will be universally strengthened and expanded, socialist ownership by the whole people will rapidly degenerate, and capitalism and the bourgeoisie will develop even more rapidly. With limits, capitalism and the bourgeoisie will be dealt blows and prevented from spreading unchecked; moreover, through the long process of continually imposing limits, the soil that breeds capitalism and the bourgeoisie will gradually be eradicated, and conditions under which the bourgeoisie can neither exist nor re-emerge will gradually be

created. In this way, socialist ownership by the whole people will gradually be consolidated and perfected in the process of limiting bourgeois right. Precisely because limiting bourgeois right means limiting capitalism and the bourgeoisie, the bourgeoisie within the Party represented by Liu Shaoqi, Lin Biao, and Deng Xiaoping, in particular, have an aversion to criticizing bourgeois right. But the more the bourgeoisie within the Party opposes limiting bourgeois right, the more the proletariat and the revolutionary people must limit bourgeois right and consolidate the economic base of the dictatorship of the proletariat.

Direction of Development of Collective Ownership in Rural People's Communes

Like socialist ownership by the whole people, the process of consolidating and improving socialist collective ownership by the working people is also a process of continually restricting bourgeois right. However, the consolidation and improvement of socialist collective ownership have their own distinctive features. Socialist collective ownership is a form of socialist ownership with a relatively low degree of public ownership. Therefore, in the struggle to restrict bourgeois right, it is necessary to go through a long process of transitioning from small collective ownership to large collective ownership, and then from socialist collective ownership to socialist ownership by the whole people.

At the present stage, China's rural people's communes practice three-level collective ownership: commune-level collective ownership, production-brigade collective ownership, and production-team collective ownership.

The means of production of the commune are publicly owned by all commune members. The means of production owned at the commune level include various types of large agricultural machinery, large-scale irrigation and water-conservancy facilities, as well as various forestry, animal husbandry, sideline and fishery enterprises and small industrial and mining enterprises. Commune-level collective ownership is a form of collective ownership characterized by a relatively high degree of public ownership.

Below the commune level, the means of production of the production brigade are publicly owned by the commune members within the brigade. The means of production owned at

the brigade level mainly include forestry, animal husbandry, sideline and fishery enterprises that production teams found difficult or unsuitable to establish, small-scale industries directly serving agricultural production, and medium- and large-sized agricultural machinery.

Below the production brigade level, the means of production of the production team are publicly owned by the commune members of that production team. The means of production owned at the production-team level include land, seeds, fertilizer, farm tools, small agricultural machinery, and the team-run diversified operations in forestry, animal husbandry, sideline production, and fisheries. This is a form of collective ownership with a lower degree of public ownership than commune-level collective ownership and production-brigade collective ownership.

At the present stage, within the three-level collective ownership of rural people's communes, collective ownership at the commune and brigade levels is partial, whereas collective ownership at the production-team level is fundamental. The production team is the basic accounting unit of the people's commune; it conducts independent accounting, assumes responsibility for its own profits and losses, and directly organizes production and distribution.

Why, at the present stage, is the three-level collective ownership of rural people's communes based on the production team? This is because agricultural production in China at the present stage still basically relies on human and animal power. Although the degree of agricultural mechanization has increased somewhat since the establishment of the communes, nationwide this has not fundamentally changed the predominance of manual labor. Therefore, in order to adapt to the existing level of productive forces and the level of commune members' political consciousness, except in a small number of areas, roughly thirty peasant households are generally organized into one production team, which serves as the basic accounting unit for organizing production and distribution. This facilitates the organization of production and the strengthening of management, and makes it easier for commune members to show greater concern for the collective and strengthen their supervision of cadres. However, as the productive forces develop and commune members' political consciousness improves, this situation of three-level ownership with the production team as the foundation will inevitably change gradually.

At the present stage, although the collective economies at the commune and brigade levels in rural people's communes are still not strong enough, they play an important role in developing the People's commune collective economy. Because the collective economies at the commune and brigade levels exist, it is possible to purchase large agricultural machinery that production teams cannot afford, establish capital construction for farmland water conservancy and small industrial and mining enterprises that an individual production team cannot undertake, and provide targeted support to production teams with relatively low economic levels. As the collective economies at the commune and brigade levels continue to expand and develop, they will inevitably play an increasingly important role.

The three-level collective ownership of rural people's communes, with the production team as the basic accounting unit, is able to adapt to the different levels and requirements of rural productive forces. For example, in the course of developing agricultural mechanization in China, different types of agricultural machinery can be owned respectively by production teams, production brigades, and communes, enabling them to fully play their roles within different scopes. Likewise, various diversified operations—including forestry, animal husbandry, sideline production, fisheries, and industry—can be managed respectively by production teams, production brigades, and communes according to their scale and the amount of labor, materials, and funds they required. Thus, the three-level collective ownership with the production team as the basic accounting unit possesses considerable flexibility and superiority; in most regions of the country, it is generally still compatible with the development of rural productive forces at the present stage. However, since productive forces are the most active factor in social production and are constantly advancing, relations of production and productive forces in the countryside continued to exist in a state of both adaptation and contradiction. This inevitably drives the three-level collective ownership to undergo certain quantitative changes first: while retaining the production team as the basic accounting unit, the proportion of the collective ownership economy at the brigade and commune levels gradually increases. Since the beginning of the Great Proletarian Cultural Revolution, with state support, commune-and-brigade industry in China's rural people's communes has developed rapidly, and the proportion of the three-level collective economy of people's communes has changed to varying degrees.

According to a representative survey of 254 communes in thirteen provinces and municipalities, including Beijing, Shanghai, Henan, and Hubei, the proportions of the three-level collective economy were as follows:

	Share of Each Level in 1974 (%)	Share of Each Level in 1975 (%)	Growth in 1975 Over 1974 (%)
1. Total Income at Three Levels	100.0	100.0	7.1
(1) Commune Level	9.7	11.7	29.1
(2) Brigade Level	14.4	15.9	18.7
(3) Production-Team Level	75.9	72.4	2.0
2. Taxes at Three Levels	100.0	100.0	7.7
(1) Commune Level	14.8	18.3	39.9
(2) Brigade Level	12.9	13.8	15.1
(3) Production-Team Level	72.3	67.9	1.0
3. Accumulation of the Year at Three Levels	100.0	100.0	22.6
(1) Commune Level	15.8	18.7	45.4
(2) Brigade Level	25.3	27.7	34.0
(3) Production-Team Level	58.9	53.6	11.6
4. Fixed Assets at Three Levels	100.0	100.0	19.2
(1) Commune Level	7.8	9.1	38.9
(2) Brigade Level	22.9	24.5	27.6
(3) Production-Team Level	69.3	66.4	14.2

As can be seen from the table above, the proportions accounted for by the commune-level and brigade-level economies within the three-level collective economy, although still relatively small at present, are growing faster than the production team economy. Consequently, compared with 1974, in 1975 the proportions accounted for by the commune-level and brigade-level economies increased in terms of the total income of the three-level economy, their contribution to state taxation, the accumulation of the collective economy itself, and their capacity to purchase fixed assets. Over a longer period, this change will become even more pronounced. For example, in 1970, of the total three-level income of the people's communes in the suburbs of Shanghai, the commune-level economy accounted for only a little over 10%, the brigade-level economy for less than 5%, and the production team-level economy for more than 80%.

By 1975, the collective economies at the commune and brigade levels had risen to 34 % and 19.5%, respectively, while the production team-level economy had correspondingly fallen to 46.5%.

As these quantitative changes in the three-level collective ownership of the people's communes inevitably give rise to partial qualitative changes, they create important conditions for the transition from the three-level collective ownership currently implemented, with the production team as the basic accounting unit, to two-level collective ownership, with the production brigade as the basic accounting unit.

Implementing basic ownership by the production brigade means that, within the scope of a people's commune, the production brigade serves as the basic accounting unit for unified organization of production and unified organization of distribution. The land, large and medium-sized agricultural machinery, and other basic means of production and collective property within the production brigade's jurisdiction will all belong to the brigade and be placed under its unified control; all labor force within the production brigade's jurisdiction will likewise be allocated and deployed by the brigade. In rural people's communes, the emergence of two-level collective ownership by the commune and the brigade marks a further increase in the degree of public ownership under the collective ownership system of rural people's communes. At present, only a small number of production brigades throughout the country have implemented this basic ownership system. Nevertheless, it possesses great vitality and embodies the direction of further development for the more than 50,000 rural people's communes across the country.

The transition from production team basic ownership to brigade basic ownership is an objective requirement for the further development of the productive forces.

In the vast rural areas of our country, the poor and lower-middle peasants, in carrying out the mass movement to "**Learn from Dazhai in agriculture**" and implementing the agricultural "**Eight-Character Constitution**"[1], have continuously launched intensive campaigns to develop capital construction for farmland water conservancy. However, the production team's small-scale collective ownership conflicts with the construction of large-scale farmland water-conservancy

[1] The agricultural "Eight-Character Constitution" refers to eight yield-increasing measures: soil improvement, fertilizer, water conservancy, seed improvement, rational close planting, plant protection, field management, and tool reform (abbreviated as "soil, fertilizer, water, seeds, density, protection, management, and tools").

projects. For example, to build grid-patterned stable- and high-yield farmland, it is often necessary to go beyond the boundaries of a single production team to transform the layout of the farmland, filling in some old riverbeds and ditches and excavating new river channels and canals. Yet, within the scope of a brigade, the water-control and land-improvement projects benefit the various production teams to different degrees; sometimes they may even benefit most production teams while harming a minority of them. Under the conditions of the production team's basic ownership system, the land belongs to the individual production teams, and each production team organizes production and distribution within its own area. When faced with this type of conflict, it may therefore proceed from local interests, considering only the needs and interests of its own team. Under such circumstances, a large-scale water-control and land-improvement project that could benefit most production teams often cannot be carried out.

With the growing development of agricultural mechanization, it can now be seen that new contradictions are bound to arise between it and the basic ownership system of the production team. Looking at the five types of agricultural and sideline production—grain, cotton, oil crops, pigs, and vegetables—in the suburbs of Shanghai, there are a total of seventy types of work that can and should be mechanized. If mechanization were implemented comprehensively, each production team would need to be equipped with at least thirty or forty kinds of agricultural machinery. However, a production team has little capital and is small in scale, so under normal circumstances it would be difficult to purchase such a complete set of agricultural machinery. Even if some affluent production teams could afford to purchase these Agricultural machinery, certain agricultural machines would not be able to operate at full capacity within the scope of a single production team. For the agricultural machinery industry, manufacturing and supplying such a set of agricultural machinery for every production team would also be difficult for the time being and would result in a waste of social wealth. If the brigade were to purchase this agricultural machinery, many machines would not need to be purchased separately by every production team; instead, several production teams could share one set. In addition, agricultural mechanization is not merely a matter of purchasing agricultural machinery. It also requires corresponding farmland water-conservancy construction to complement agricultural mechanization: there must be roads in the fields for tractors to pass along and bridges over rivers

that tractors can cross. All this must be planned within the scope of a brigade. Agricultural machinery, roads, bridges, and channels must be coordinated; this is where the contradiction with the basic ownership system of the production team arises.

In terms of labor power utilization, generally speaking, a production team of around thirty households has no more than approximately sixty or seventy workers, making it difficult to achieve a relatively rational division of specialized labor. Moreover, the land area and labor power possessed by each production team vary. Some teams have more farmland and fewer people, while others have less farmland and more people. Under the conditions in which the production team serves as the basic accounting unit, labor power cannot be uniformly and rationally allocated by the brigade. When agricultural and sideline production has developed to a certain stage under the guidance of the policy of "**grain as the key link and all-round development**," further rapid development will become difficult.

Some of the contradictions mentioned above already existed during the period of the agricultural production cooperatives. After the agricultural production cooperatives developed into rural people's communes, unified leadership by the communes and brigades provided favorable conditions for resolving these contradictions. Some contradictions—for example, arranging electrically powered irrigation channels throughout an entire commune or brigade—were generally resolved within a few years after collectivization in the delta regions south of the Yangtze River. However, as agricultural production developed, some contradictions that had existed previously became more pronounced, while some contradictions that had not previously existed emerged. In particular, as the mass movement to Learn from Dazhai in Agriculture develops in depth, these contradictions will necessarily be resolved step by step. The transition from production team basic ownership to brigade basic ownership will create the necessary conditions for resolving these contradictions more effectively.

The transition from production team basic ownership to brigade basic ownership is also an objective requirement for narrowing the disparity in wealth between production teams and consolidating the economic base of the dictatorship of the proletariat in the countryside.

The realization of cooperativization and the people's commune movement has prevented stratification among individual peasants, enabled socialism to occupy the rural front, and

consolidated the economic base of the dictatorship of the proletariat in the countryside. However, the collective economy, with the production team as its basic accounting unit, is ultimately a small-scale collective economy. Under conditions of commodity production, differences inevitably emerge between wealthy and poor teams, giving rise to disparities between rich and poor within the peasantry. Wealthy teams have substantial assets, can achieve mechanization more quickly, and can use their ample financial and human resources to establish diversified operations. Poor teams have limited assets and are unable to undertake economic projects requiring substantial capital. In the course of development, a tendency consequently emerges for wealthy teams to become relatively richer and poor teams relatively poorer.

> In 1975, the disparities in the distribution of collective income among production teams in several production brigades in Jiading County, Shanghai, were as follows: 2nd Production Team of Beacon Production Brigade, Zhuqiao People's Commune, had an average annual income of ¥282 per person, while 9th Production Team of the same brigade had only ¥164, a difference of 78%. Xiajiazhai Production Team of Zhenbei Production Brigade, Long March People's Commune, had an average annual income of ¥243 per person, whereas Xujiazhai Production Team of the same brigade had only ¥130, a difference of 87%. Xigaolou Production Team of Xuangao Production Brigade, Wangxin People's Commune, had an average annual income of ¥180 per person, while Yaowan Production Team had only ¥99, nearly a twofold difference.

Widening the difference between rich teams and poor teams means widening bourgeois right among collective ownership economies. This is detrimental to consolidating and developing socialist collective ownership, and detrimental to consolidating the economic base of the dictatorship of the proletariat in the countryside. Implementing brigade basic ownership will prevent the difference between poor and rich teams from widening among production teams. The transition from production-team basic ownership to brigade basic ownership is the result of the movement of contradiction between relations of production and productive forces, and between the superstructure and the economic base, in the countryside. The pace of its development differs across China's vast rural areas. Based on the typical experience of some regions, when the contradiction between relations of production and productive forces, and between the superstructure and the economic base, in the countryside has developed to the point where the

following conditions are present, the transition from production-team basic ownership to brigade basic ownership is, broadly speaking, mature.

First, the level of development of the productive forces has risen considerably. In particular, agricultural mechanization has made some progress, and the commune-level economy and brigade-level economy have expanded to a certain extent. Regarding agricultural mechanization, when the need and possibility arise for implementing mechanization across multiple types of work in agricultural and sideline production, having the production brigade organize production uniformly would not only provide the capacity to purchase complete sets of agricultural machinery but also make it possible to utilize such machinery fully. Compared with organizing production uniformly through the production teams, this would more clearly demonstrate the superiority of brigade basic ownership. As for the development of the commune-level economy, especially the brigade-level economy, only when the brigade-level economy has achieved a certain degree of development will the brigade have the capacity to purchase complete sets of agricultural machinery and to help and support less advanced teams in developing production; only then will the production teams have the possibility of "take" the brigade's "advantage." This prevents the "advantage" of wealthy teams from being "taken" by poor teams during the transition, and instead makes it possible for all production teams to "take" in the brigade's "advantage," with poor teams sharing more and wealthy teams sharing less.

Second, the gap in the collective distribution levels among the production teams within a brigade has largely narrowed. Imbalance in the development of things is absolute, and disparities in economic development among the production teams of the same brigade will always exist. However, if the gap is too large, then, when the transition is made to the brigade as the basic accounting unit and a unified distribution standard is implemented across the brigade, either the income of commune members in the poor teams will surge or that of commune members in the rich teams will fall sharply. This would be detrimental to the unity of commune members and to the mobilization of their enthusiasm for production. To create the conditions for the transition, before it takes place, the brigade should appropriately control the distribution level of the rich teams, while helping the poor teams begin by developing production and gradually raising their distribution level, so that the distribution levels of the poor and rich teams gradually converge.

Third, a Party leadership core has formed that firmly implements Chairman Mao's revolutionary line. The transition to the production brigade basic ownership system represents an increase in the degree of public ownership of the means of production, meaning that bourgeois right in the area of ownership will be further restricted. Therefore, the transition process will inevitably be filled with fierce struggles between the two classes, two roads, and two lines. Only with a Party leadership core that firmly implements Chairman Mao's revolutionary line can the brigade leads the broad masses of poor and lower-middle peasants and commune members in struggling against the bourgeoisie within the Party, against the destructive activities of landlords, rich peasants, counterrevolutionaries, and bad elements, and against capitalist tendencies; fully mobilizes the socialist enthusiasm of the broad masses of commune members; and ensures increased production and income after the transition, enabling continued progress.

Fourth, the broad masses of commune members possess a certain level of ideological awareness and have the ideological foundation necessary to demand the transition. As the transition is realized, the old contradictions are resolved, but new contradictions emerge, and these new contradictions are often entangled with the habitual forces of small production and spontaneous capitalist tendencies. Lenin pointed out: "**It will take generations to remold the small farmer, and recast his mentality and habits.**"[1] Chairman Mao taught us: "**These tendencies will become rampant if we in the slightest way neglect political work among the peasants.**"[2] If the broad masses of commune members lacks a certain level of ideological awareness and the ideological foundation necessary to demand the transition, it will be impossible to guide them in correctly handling the new problems brought about by the transition; the masses' socialist enthusiasm cannot be fully mobilized, and the erroneous idea of "eating from the same communal pot"[3] might even arise. In order to achieve the transition successfully, production brigades and production teams needed, even before the transition, to carry out an

---

[1] Vladimir Ilyich Lenin, "Report On The Substitution Of A Tax In Kind For The Surplus Grain Appropriation System, Tenth Congress of the R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 32, (Progress Publishers, Moscow, 1965).

[2] Mao Zedong,"Editor's Notes from Socialist Upsurge in China's Countryside," in *Selected Works of Mao Zedong*, Vol. V, 261

[3] Note from translator: "Eating from the same communal pot" is essentially the Chinese expression for the tragedy of the commons.

extensive socialist education movement, strengthen the collective consciousness of the broad masses of commune members, criticize spontaneous capitalist tendencies, and establish a firm commitment to taking the path of common prosperity.

Among the conditions for transitioning to brigade basic ownership, the development of the productive forces is particularly important. Without this condition, the transition would be difficult. This shows that the law requiring relations of production to conform to the development of the productive forces is at work. However, politics is the commander and the lifeline of all economic work; the superstructure is not powerless when it comes to consolidating and developing its own economic base. When the economic conditions are broadly in place, whether the transition to brigade basic ownership can be carried out depends on whether there is a core of Party leadership that adheres to Chairman Mao's revolutionary line, as well as on the ideological consciousness of the broad masses of commune members. Without these political and ideological conditions, even excellent economic conditions would make it difficult to achieve the transition successfully. In some circumstances, although the economic conditions may be somewhat less favorable, a strong core of Party leadership, the resolute implementation of Chairman Mao's proletarian revolutionary line, and giving prominence to political and ideological work as the key link, thereby fully mobilizing the socialist enthusiasm of the commune members, can also make it possible to achieve the transition successfully; after the transition, the collective economy of the production brigade can be further consolidated and developed. At present, the overwhelming majority of rural people's communes throughout China's rural areas still implement the system of "three-level ownership with the production team as the foundation," but the poor and lower-middle peasants in many places are actively creating the conditions for transitioning from

production-team basic ownership to brigade basic ownership.[1] After a rural people's commune has achieved production-brigade basic ownership, with the continued development of the productive forces and the further elevation of the ideological consciousness of the broad masses of commune members, there will inevitably be, in the future, the question of transitioning from brigade basic ownership to commune-level basic ownership. Even after people's commune basic ownership has been achieved, it will still be a collective economic organization under socialist collective ownership by the working people. Of course, socialist ownership by the whole people and collective ownership cannot coexist forever either. As the socialist revolution deepens and the commune-level economy expands and grows stronger, rural people's communes will also undergo fundamental changes.

That is, the transition from socialist collective ownership to socialist ownership by the whole people. It can be anticipated that the people's commune will be the best form of organization for China's transition from collective ownership to ownership by the whole people, and from socialism to communism.

---

[1] From the situation of Pengzhao Brigade of Malu Commune, Jiading County, Shanghai, described below, one can see how the poor and lower-middle peasants created the conditions for transitioning to brigade basic ownership. Pengzhao Brigade had 490 households, 1,673 people, and eight production teams. With the development of agricultural mechanization and farmland capital construction, production-team basic ownership became incompatible with the productive forces. Beginning in 1975, they proposed the idea of "change the content first, then formalize the designation." While strengthening ideological education among the commune members, they prepared for the future transition to brigade ownership in ten areas:

(1) Establish brigade agricultural machinery stations and expand the scope of brigade management of agricultural machinery.

(2) Establish a brigade fertilizer transport team specifically responsible for transporting urban garbage, black sludge, night soil, and waste ammonia water back to the countryside, with the brigade distributing them uniformly according to the soil conditions of each production team.

(3) Establish brigade seed farms, which are specifically responsible for cultivating, storing, and supplying improved seeds for each production team.

(4) Establish a specialized plant protection team, with the brigade organizing unified control of pests and diseases.

(5) Establish a greening team, with the brigade centrally planning afforestation.

(6) Expand sideline production teams and vigorously develop sideline production, led by pig raising.

(7) Establish specialized teams for farmland capital construction.

(8) Actively help poor production teams develop production, while stabilizing and appropriately controlling the distribution level of personal income in wealthy production teams, thereby narrowing the gap between rich and poor production teams.

(9) Ensure that the remuneration level of personnel in brigade-run enterprises is broadly comparable to that of commune members engaged in farming.

(10) Appropriately expand the portion of cooperative medical care covered by the collective, and increase medical expense subsidies for commune members facing economic hardship.

Chapter Two: Mutual Relations in Socialist Production

Section One: Formation of Socialist Mutual Relations

Socialist Public Ownership Is the Foundation of Socialist Mutual Relations

The mutual relations among people in production are determined by the ownership of the means of production. The establishment of public ownership of the means of production was a great transformation in ownership relations, but the issue of ownership was not completely resolved; likewise, although people's mutual relations in production underwent tremendous changes with the transformation of ownership, they too have a process of continuous improvement. The view that once socialist public ownership was established, people's mutual relations in socialist production became "comradely relations of mutual assistance and cooperation" is nothing more than idealism and metaphysics. The capitalist-roaders within the Party used this erroneous theory to promote the theory of the extinction of class struggle, reinforce and expand bourgeois right in the sphere of mutual relations, and bring about the restoration of capitalism. Therefore, it is of great importance to correctly analyze the nature of socialist mutual relations, analyze the bourgeois right that seriously persists in the sphere of mutual relations, and recognize that after the establishment of socialist public ownership, there remains the serious task of continuously improving mutual relations, in order to consolidate the economic base of the dictatorship of the proletariat and prevent the restoration of capitalism.

The first thing to clarify is what changes have taken place in people's relations with one another in production following the establishment of socialist public ownership, what problems

have been resolved, and what problems remain unresolved. To this end, it is necessary to briefly review the history of the evolution of interpersonal relations in social production.

In slave society and feudal society, people's mutual relations in production were nakedly unequal. The relations of exploitation and being exploited, oppression and being oppressed between the two antagonistic classes—slave owners and slaves, landlords and peasants—were evident. Capitalist society is different: the relations of exploitation and being exploited, domination and being dominated between capitalists and workers are expressed entirely through commodity relations, that is, as relations between things and things; the essence of inequality is concealed by the illusion of equality. For a long time, bourgeois economists wrote one book after another, making a great deal of the relationship between things and things in an attempt to conceal the class-antagonistic essence of the mutual relations among people in capitalist society and to safeguard the system of capitalist exploitation. Marxist political economy turned this old case upside down: "**Where the bourgeois economists saw a relation between things (the exchange of one commodity for another) Marx revealed a relation between people.**"[1] "**Economics is not concerned with things but with relations between persons, and in the final analysis between classes.**"[2] Thus, the most difficult problem in the whole of economics became suddenly clear.

In capitalist society, capital's domination and exploitation of labor are founded on capitalist ownership of the means of production. "**The dull compulsion of economic relations completes the subjection of the laborer to the capitalist.**"[3] It is precisely because capitalists own all the means of production that workers are forced to sell their labor in order to survive. Under the guise of equality created by the free buying and selling of labor, a relationship of class antagonism takes shape between capitalists and wage laborers: exploitation and being exploited,

---

[1] Vladimir Ilyich Lenin, "The Three Sources and Three Component Parts of Marxism," in *Lenin's Collected Works*, Vol. 19, (Progress Publishers, Moscow, 1977).

[2] Frederick Engels, review of *A Contribution to the Critique of Political economy*, by Karl Marx, (Progress Publishers, Moscow).

[3] Karl Marx, "Chapter Twenty-Eight: Bloody Legislation Against the Expropriated, from the End of the 15th Century. Forcing Down of Wages by Acts of Parliament," in *Capital,* Vol. I.

domination and being dominated. "**The Roman slave was held by fetters: the wage laborer is bound to his owner by invisible threads.**"[1]

Mutual relations in socialist production arise on the basis of socialist public ownership of the means of production. The establishment of socialist mutual relations means that the relationship of being ruled and ruling that existed in the old society between the working class and working peasants, on the one hand, and the bourgeoisie, landlords, and rich peasants, on the other, has been reversed. This reversal presupposes the replacement of private ownership of the means of production by Socialist public ownership of the means of production. Socialist public ownership is also a form of economic coercive force: it deprives the exploiting classes of the means to exploit working people and compels them to accept the rule and transformation carried out by the proletariat and the broad masses of working people. With the establishment and development of public ownership of the means of production, the proletariat and the broad masses of working people become the masters of socialist production. A new type of revolutionary comradely relations among working people—based on unity of fundamental interests and characterized by mutual support and cooperation—begins to emerge.

However, in socialist society, public ownership of the means of production still exists in two forms; there are still differences between workers and peasants, between urban and rural areas, and between intellectual labor and physical labor; commodity production and monetary exchange still exist; and in the process of workers exchanging labor with one another, the principle of exchange of equal amounts of labor still prevails. These economic conditions determine that, in socialist production, factual inequality inevitably still exists among workers, as does bourgeois right. Their revolutionary comradely relations undergo a process of establishment and development and are not perfected all at once. In particular, on the basis of bourgeois right, a new bourgeoisie and a bourgeoisie within the Party will also emerge. They are bound to undermine and corrupt socialist mutual relations, turning them into capitalist relations. Therefore, the process by which new socialist mutual relations are continuously perfected is the process of gradually restricting and ultimately eliminating bourgeois right; it is the process of the

[1] Karl Marx, "Chapter Twenty-Three: Simple Reproduction," in *Capital,* Vol. I.

proletariat opposing and ultimately defeating the bourgeoisie, including the bourgeoisie within the Party.

Role of the Superstructure in Formation and Development of Mutual Relations

A given form of ownership of the means of production determines the nature of mutual relations. However, people's mutual relations always develop under the counteracting influence of the superstructure and are influenced by the political rule and ideology of a particular class. Therefore, when examining people's mutual relations in production, one must study them in connection with the social superstructure.

In societies in which classes exist, the superstructure is the political and legal systems established on the basis of the society's economic base, together with the views on politics, law, religion, art, and philosophy that correspond to it. Once formed, the superstructure actively serves its economic base and struggles to eliminate the outdated old base and its old superstructure. The ruling class of every society always seeks to use the power of the superstructure to protect, by every possible means, the ownership relations that have been established, and to consolidate and develop the corresponding mutual relations and distribution relations. This is a general law.

Take capitalist society as an example: in every country, the bourgeoisie uses the power of the superstructure, alternately employing the two methods of repression by executioners and deception in the manner of priests, to maintain and expand the rule of capital over labor. Marx pointed out that the bourgeoisie "**secures the right of absorbing a quantum sufficit [sufficient quantity] of surplus-labor, not merely by the force of economic relations, but by the help of the State**"[1]. The famous enclosure[2] that took place in the United Kingdom from the end of the

---

[1] Karl Marx, "Chapter Ten: The Working-Day," in *Capital,* Vol. I.

[2] The enclosure was one of the important means of primitive accumulation in the United Kingdom's capitalism. At the end of the fifteenth century, the woolen industry emerged and wool prices rose. As a result, the landlords and capitalists of the United Kingdom colluded with one another, forcibly turning the peasants' arable land into pastures for sheep farming. In the eighteenth century, the bourgeois government of the United Kingdom concocted a series of so-called "Enclosure Acts," using the instruments of the dictatorship of the bourgeoisie to support the landlords and capitalists in violently dispossessing the peasants. Over these several centuries, the peasants continually resisted and launched multiple uprisings against enclosure.

fifteenth century to the first half of the nineteenth century used violent means to drive large numbers of impoverished peasants into becoming proletarians who were "free as birds" and flowed into the cities, thereby expanding capital's pool of subjects over whom it could rule labor. However, the peasants who flowed into the cities often preferred to wander rather than submit to capital's tyrannical rule over labor. In order to drive the bankrupt peasants into the factories, the British bourgeoisie enacted laws punishing vagrancy, "**and then whipped, branded, tortured by laws grotesquely terrible, into the discipline necessary for the wage system.**"[1] At the same time, the bourgeoisie also deceived, stupefied, and poisoned working people by propagating bourgeois ideologies such as freedom, equality, and fraternity, thereby maintaining and developing the relationship of the rule of capital over labor. Just look at how cruel, sinister, and vicious the means adopted by the bourgeoisie are for maintaining and developing this relationship of the rule of capital over labor!

The relation of the rule of capital over labor is maintained by violence and can likewise be smashed only by violence; in the state under the dictatorship of the proletariat, it was indeed smashed.

Socialist relations of production cannot arise within capitalist society; they can only be established under the conditions of the dictatorship of the proletariat. Therefore, the counteraction of the socialist superstructure on the socialist economic foundation is manifested even more clearly. Socialist mutual relations are determined by socialist public ownership, but they must also be formed and developed under the tremendous counteraction of the socialist superstructure. To believe that, with the establishment of socialist public ownership, socialist mutual relations will form and develop naturally is a grave mistake. In fact, since the state power under the dictatorship of the proletariat was established in our country, the democratic reform, the Three Antis and Five Antis, rectification and Anti-Rightist, socialist education, and other successive political movements carried out under Party leadership—especially the Great Proletarian Cultural Revolution, Criticize Lin, Criticize Confucius, and the struggle to Counterattack the Right-Deviationist Reversal-of-Verdicts Trend—not only criticized and struck

---

[11] Karl Marx, "Chapter Twenty-Eight: Bloody Legislation Against the Expropriated, from the End of the 15th Century. Forcing Down of Wages by Acts of Parliament," in *Capital*, Vol. I.

at the enemy but also deeply educated the cadres and the masses, greatly promoting the consolidation and development of socialist mutual relations. As Chairman Mao pointed out, the socialist superstructure "**plays a positive role in facilitating the victory of socialist transformation and the socialist way of organizing labor.**"[1]

In socialist production, the working class and other working people rule over and transform the bourgeoisie, landlords, rich peasants, and other exploiting classes. In accordance with their class nature, the exploiters will not willingly accept this rule and transformation; consequently, fierce struggle inevitably exists between the working class and other working people on the one hand and the exploiting classes on the other. To achieve the rule over and transformation of the exploiting classes, it is necessary to consistently uphold the proletariat's all-round dictatorship over the bourgeoisie in every sphere and at every stage of revolutionary development.

In socialist production, the new type of mutual relations among working people is still constrained by bourgeois right and corrupted by bourgeois ideology. Before the Great Proletarian Cultural Revolution, some enterprise cadres, influenced by the revisionist line, demanded the "Three Styles" and "Five Attitudes"[2] from the masses, treated them unequally, and, without going to the workshop groups to carry out "Three Together"—learning one or several skills from master workers—turned their relations with the masses into a "cat-and-mouse relationship." They thus entered a state of acute class struggle with the working class, which caused a partial qualitative change in socialist mutual relations. To establish and develop revolutionary comradely relations among working people in accordance with socialist principles, it is necessary to restrict bourgeois right and gradually eliminate the influence of bourgeois ideology among the cadres and the masses; this must also rely on the power of the socialist superstructure. The rectification movement led by our Party was an effective Marxist educational movement for resolving the "Three Styles" and "Five Attitudes" among cadres and transforming the "cat-and-mouse relationship" between cadres and the masses into a "fish-and-water relationship." Only by

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 395.

[2] "Three Styles" refers to bureaucratism, subjectivism, and sectarianism; "Five Attitudes" refers to official airs, listlessness, ostentation, arrogance, and affectation.

relying on the correct line, principles, and policies of the Party and the state under the dictatorship of the proletariat can bourgeois right be gradually restricted. "**Only when the people have such a state can they educate and remold themselves by democratic methods on a country-wide scale, with everyone taking part, and shake off the influence of domestic and foreign reactionaries,**"[1] gradually overcome the bourgeois ideology in people's minds, and clear the way for the formation and development of new socialist mutual relations among working people.

The proletariat must use the power of the socialist superstructure to safeguard and develop socialist mutual relations, whereas the bourgeoisie seeks to restore capitalist mutual relations by beginning with the destruction of the socialist superstructure. Lin Biao went all out to propagate the ideology of the exploiting classes, saying such things as "human relations are exclusively self-interested" and "animals rely entirely on plunder; all may serve as teachers." His accomplices, for their part, proclaimed such notions as "everyone treats everyone else like a wolf" and "if there is no cheating, no transaction can be concluded," openly advocating the nakedly self-interested mutual relations of the bourgeoisie, in which the big fish devour the small fish. The "Several Issues Concerning Scientific and Technological Work" (abbreviated as "The Outline Report"), fabricated at Deng Xiaoping's behest, was a sinister program for implementing the dictatorship of the bourgeoisie in the superstructure. It opposed treating intellectuals as equals of workers and peasants, went all out to widen the difference between intellectual labor and physical labor, expanded the bourgeois right of the intellectuals, and schemed to foster a small group of spiritual aristocrats riding on the backs of workers and peasants and to impose the dictatorship of the proletariat in the superstructure, thereby restoring capitalist mutual relations.

To safeguard and develop socialist mutual relations, the proletariat must, after achieving basic victory in the socialist transformation of ownership of the means of production, continue to carry out the socialist revolution thoroughly on the economic, political, and ideological fronts: eliminate bourgeois influence and promote proletarian influence, struggle against selfishness, and criticize revisionism. It is perfectly clear that unless the working class and the working people repel the frenzied offensive of the bourgeoisie, particularly the bourgeoisie within the

---

[1] Mao Zedong, "On the People's Democratic Dictatorship," 418.

Party; struggle against the capitalist roaders in authority within the Party; criticize the revisionist line; criticize bourgeois right; gradually eradicate the “Three Styles” and “Five Attitudes” among some leading cadres; resist the encroachment of bourgeois style; purge the poisonous effects of bourgeois egoism and sectarianism; and eliminate bourgeois-right ideas, the working class and the working people will be unable to maintain and consolidate their dominant position in production, unable to effectively exercise dictatorship over and transform the exploiting classes, and mutual relations among the working people will likewise be unable to develop and improve increasingly in accordance with the socialist principle.

Section Two: The Nature of Socialist Mutual Relations

Communist Elements and Bourgeois Right in Mutual Relations

The establishment and development of socialist public ownership has elevated workers from a position of oppression and subjugation to a position of governance. This is the greatest change in people's relations with one another in production over the several thousand years since the emergence of slavery. Freed from exploitation, workers join together for the common interests of society, using publicly owned means of production to carry out socialized large-scale production through division of labor and cooperation. From this perspective, communist elements have emerged in the relations between workers and peasants connected with the two major material production sectors of industry and agriculture; in the relations among socialist enterprises, regions, and sectors; and in the mutual relations among workers within enterprises under socialist public ownership and collective ownership.

After the socialist transformation of ownership of the means of production in our country was basically completed, Chairman Mao pointed out: "**Relations between production and exchange in accordance with socialist principles are being gradually established within and between all branches of our economy, and more and more appropriate forms are being sought.**"[1] Ultimately, the mutual relations between production and exchange in the various economic departments are relationships of the mutual exchange of labor among people. Under socialist conditions, three major differences exist in the mutual exchange of labor among people; this exchange is conducted according to the principle of exchange of equal amounts of labor, that is, the principle of commodity exchange. Consequently, bourgeois right still exists extensively in mutual relations among people.

The unity of opposites between growing communist elements and the bourgeois right that continues to exist extensively constitute the defining feature of socialist mutual relations and give rise to a series of contradictory movements within them. This contradiction exists

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 394.

extensively in mutual relations in production and exchange. The mutual relations formed through commodity production and exchange will be analyzed in the relevant chapters of this book. Here, we focus on analyzing the movement of mutual relations among people within socialist enterprises.

The relations among people within socialist enterprises are extensive in content, broad in scope, and extremely complex. However, viewed from the perspective of relations among workers in enterprises, they mainly involve three aspects: relations between leadership and the masses; relations among management personnel, technical personnel (intellectual laborers), and direct producers (physical laborers); and relations among workers, as well as among peasants.

Let us first examine the relationship between leadership and the masses.

Social production requires someone to organize and lead it; this is necessary for any collective labor on a relatively large scale. Marx pointed out: "**All combined labor on a large scale requires, more or less, a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs. A single violin player is his own conductor; an orchestra requires a separate one.**"[1] However, when the ownership of the means of production differs, and the nature and purpose of production differ, the role of leadership in the enterprise, as well as the relationship between the leadership and the masses, also differs. Thus, immediately after the passage quoted above, Marx went on to state: "**The work of directing, superintending, and adjusting, becomes one of the functions of capital, from the moment that the labor under the control of capital, becomes co-operative.**"[2] Under capitalism, the capitalists organize and manage production in order to ruthlessly exploit the workers. Lenin said: "**capitalists, in whose interest it is to administer while plundering and to plunder while administering.**"[3] Thus, the relationship between the capitalists or their agents and the workers is one in which the capitalists exploit and oppress the workers. Under socialism, the leadership personnel and the masses in an

---

[1] Karl Marx, "Chapter Thirteen: Co-operation," in *Capital,* Vol. I.

[2] Ibid.

[3] Vladimir Ilyich Lenin, "How to Organise Competition?," in *Lenin's Collected Works*, Vol. 26.

enterprise are, in general, all masters of the enterprise; they are comrades in the same trench, united in their fundamental interests and without any fundamental conflict of interest. Together, they manage the socialist enterprises and labor and work toward a common revolutionary goal.

Let us now consider the relationship between management personnel, technical personnel (intellectual laborers), and direct producers (physical laborers).

Under capitalism, management personnel and technical personnel in enterprises generally do not own the means of production, but they are intellectuals educated and trained by the bourgeoisie, employed by, dependent on, and serving the bourgeoisie. Therefore, in capitalist enterprises, the relationship between management personnel, technical personnel, and workers generally manifests itself as one of class antagonism. Under socialism, the proletariat, on the one hand, continues to arrange for the former management personnel and technical personnel to work in socialist enterprises; on the other hand, it helps them change their standpoint and transform their bourgeois worldview so that they can serve the workers and peasant laboring masses. As far as our country is concerned, apart from a very small number of reactionary intellectuals among the former management personnel and technical personnel who harbor hostile feelings toward our country, "**the overwhelming majority are patriotic, love our People's Republic, and are willing to serve the people and the socialist state.**"[1] With the continuous development of the socialist revolution and socialist construction, the proletariat has also continuously cultivated its own intellectuals to participate in management and technical work. Particularly since the Great Proletarian Cultural Revolution, following Chairman Mao's instruction to "**follow the path of the Shanghai Machine Tool Plant in training technical personnel from among the workers**"[2], "July 21 Workers' Universities" have been established widely, cultivating one group of worker technical personnel with a certain degree of political consciousness and rich practical experience after another, thereby strengthening the technical workforce of enterprises. Therefore, under socialist conditions, the fundamental interests of the workers and peasant laboring masses and the broad ranks of intellectuals are basically consistent.

---

[1] Mao Zedong, "Speech At Party National Conference on Propaganda Work," in *Selected Works of Mao Zedong,* Vol. V, 423.

[2] "Quotes From Chairman Mao," *People's Daily*, July 22, 1968.

Within socialist enterprises, in addition to the relationships among cadres and the masses, technical personnel, management personnel, workers, and peasants, there are also relationships between workers and between peasants, which are primarily manifested as cooperation in the productive labor process.

Cooperation in the productive labor process is a need of social production. With the development of large-scale industry, production increasingly requires close coordination and cooperative production among its various stages. Under different ownership conditions, the nature of cooperation differs. Under capitalist private ownership, "**the co-operation of wage laborers is entirely brought about by the capital that employs them.**"[1] Cooperation among workers is imposed by capital and reflects the antagonism between workers and capitalists. In socialist enterprises, cooperative production among workers and among peasants, in accordance with the objective requirements of socialist public ownership, is a conscious action aimed at increasing labor productivity. As the workers of the Yangshupu Loading and Unloading Station of the Shanghai Port Authority put it, this cooperative relationship is like "the front and rear shoulders of a carrying pole": it is a revolutionary comradely relationship of mutual assistance and close coordination among workers whose fundamental interests are aligned.

In short, in socialist production, leadership and the masses, management personnel, technical personnel and workers, and peasants are all masters, although their division of labor differs. This relationship among people, bound together by public ownership of the means of production and formed on the basis of common fundamental interests, constitutes the communist elements germinating and growing within socialist mutual relations.

Within socialist enterprises, the relations between leadership and the masses, and between management personnel, technical personnel, and workers and peasants, are comradely relations that are developing progressively on the basis of the fundamental unity of their interests. However, this certainly does not mean that there are no contradictions among them, still less that a "state of no distinction" will emerge among them.

The leading personnel and the masses in enterprises, management personnel, technical personnel, and workers and peasants are all the masters of the state and enterprises, but during

---

[1] Karl Marx, "Chapter Thirteen: Co-operation," in *Capital*, Vol. I.

the Socialist historical period, they are still constrained by the old social division of labor. Full-time leading cadres, management personnel, technical personnel, and other intellectuals who are detached from production generally belong to the ranks of intellectual laborers; the workers and peasants who are direct producers are all physical laborers. In capitalist society and in all societies where exploiting classes hold a position of domination, the exploiting classes never miss an opportunity to place an ever-heavier burden of physical labor on the shoulders of the working masses. There, intellectual labor and physical labor are fundamentally opposed. "**Side by side with the great majority, exclusively bond slaves to labor, arises a class freed from directly productive labor, which looks after the general affairs of society: the direction of labor, state business, law, science, art, etc. It is, therefore, the law of division of labor that lies at the basis of the division into classes.**"[1] This is "**one of the principal sources of modern social inequality.**"[2] The Confucian doctrine's proclamation that "those who labor with their minds govern others, while those who labor with their bodies are governed by others" is a reflection of this fundamental opposition. In socialist society, this antagonistic contradiction between intellectual labor and physical labor has been negated. However, as a form of social division of labor, intellectual labor and physical labor still exist, and the essential difference between them also remains; it cannot be eliminated in a short period. This essential difference is manifested in the fact that most intellectual laborers still occupy positions directing and organizing production, and often participate little in physical labor; generally speaking, there is still a gap between intellectual and physical laborers in their degree of material prosperity and their level of cultural and technical knowledge, and so on. This difference is an important sign that bourgeois right remains extensively present in the relations within enterprises.

People's mutual relations in socialist production will continue to be seriously influenced by bourgeois right ideology. Bourgeois right ideology is the reflection of bourgeois right in ideological form. Its core is the grading system. Some leading cadres, having been corrupted by bourgeois right ideology, do not treat others as equals, but instead seek to assert their authority

---

[1] Frederick Engels, "Part III: Socialism," in *Anti-Dühring. Herr Eugen Dühring's Revolution in Science,* (Progress Publishers, 1947).

[2] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *State and Revolution.*

and put on airs. This causes their relations with the masses to change from revolutionary comradely relations into relations of rule and obedience. This phenomenon reflects the contradiction between the bourgeoisie and the proletariat. When technical personnel and management personnel in enterprises have not fundamentally transformed their bourgeois worldview, they too may use bourgeois right ideology in dealing with the workers and peasants, thereby causing their relations with the workers and peasants to display a certain kind of antagonistic relationship resembling that found in capitalist enterprises. Moreover, the workers and peasants themselves will inevitably be influenced by bourgeois ideology, and some may depart from the socialist principle in handling their mutual relations. The contradictions arising between leadership and the masses, between management personnel, technical personnel, and direct producers, and among the masses themselves are generally questions of right and wrong within the working people. Within the people there are also questions of right and wrong concerning innovation and conservatism, the advanced and the backward, and so forth. However, throughout the socialist historical stage, such questions of right and wrong will generally bear the imprint of class. Therefore, socialist mutual relations within the people, in the final analysis, cannot but manifest, to varying degrees and on the basis of the fundamental unity of interests, relations of right and wrong between socialism and capitalism. The proletariat must uphold what is right in socialism, criticize what is wrong in capitalism, and restrict bourgeois right; the bourgeoisie, meanwhile, seeks to promote what is wrong in capitalism, uphold bourgeois right, and oppose what is right in socialism, thereby generating the movement of contradiction in socialist mutual relations. This movement of contradiction is also the process in which the communist elements growing within mutual relations struggle against bourgeois right, which exists in serious form; reflected in class relations, it is the process of struggle between the proletariat and the bourgeoisie. In this movement of contradiction, the proletariat occupies the leading position, and consequently the nature of people's mutual relations is socialist. In the sphere of mutual relations among the working people, if bourgeois right and its ideology are allowed to spread unchecked and occupy the leading position, people's mutual relations will likewise become capitalist, causing socialist enterprises gradually to change their character.

Lenin pointed out: "**In order to abolish classes completely, it is not enough to overthrow the exploiters, the landowners and capitalists, not enough to abolish their rights of ownership; it is necessary also to abolish all private ownership of the means of production, it is necessary to abolish the distinction between town and country, as well as the distinction between manual workers and brain workers. This requires a very long period of time.**"[1] The historical task of the proletariat is, after the establishment of socialist public ownership, to pay particular attention to regulating people's mutual relations, restrict bourgeois right, break down bourgeois right ideology, implement Chairman Mao's directive that cadres and workers, peasants, soldiers, students, merchants, and all others should follow the May Seventh Road, and gradually achieve the integration of intellectual labor and physical labor, thereby narrowing and ultimately eliminating the essential difference between intellectual labor and physical labor. If attention is not paid to gradually narrowing the essential difference between intellectual labor and physical labor, allowing this difference to expand progressively, it will not only deepen the contradiction between intellectual and physical laborers but, in the course of this contradiction, necessarily produce a new bourgeoisie, which will become the social foundation for the restoration of capitalism. The situation in the Soviet Union was precisely like this.

Socialist Mutual Relations Are Class Relations

Class, class contradictions, and class struggle still exist in socialist society, as does bourgeois right; consequently, the most essential relationship between people remains a class relation. To clarify this issue, it is necessary to trace the state of class relations in semi-colonial and semi-feudal China.

On the economic base of old China, the following classes emerged: the proletariat, petty bourgeoisie, national bourgeoisie, landlords, and bureaucratic bourgeoisie. At that time, the position of these classes in production and their interrelationships were as follows: the landlords and bureaucratic bourgeoisie, who controlled the principal means of production and the

[1] Vladimir Ilyich Lenin, "A Great Beginning," in *Lenin's Collected Works*, Vol. 29 (Progress Publishers, 1972).

reactionary state machinery, colluded with Imperialism, occupied a dominant position in social production, and brutally exploited and oppressed the proletariat and petty bourgeoisie. The national bourgeoisie also owned substantial means of production. In production, on the one hand, it was connected with Imperialism and the landlords and bureaucratic bourgeoisie, exploiting and oppressing the proletariat and working people; on the other hand, it was harmed by the landlords and bureaucratic bourgeoisie. The proletariat and the broad masses of poor peasants, meanwhile, occupied a completely powerless position in social production and suffered the triple oppression and exploitation of Imperialism, the feudal forces, and the bourgeoisie.

"**Overthrowing the old social system and establishing a new one, the system of socialism, means a great struggle, a great change in the social system and in men's relations with each other.**"[1] When our country entered the Socialist historical period, when we basically completed the socialist transformation of agriculture, handicrafts, and capitalist industry and commerce, when we have made socialist public ownership of the means of production the sole economic base of our country, "**class relations are changing throughout the country.**"[2] The landlord class and bureaucratic bourgeoisie have long since been overthrown, and their means of production had long since been confiscated; in social production, they have already assumed the position of those being ruled and transformation. After the private enterprises of the national bourgeoisie were transformed into socialist state-run enterprises, the means of production they possessed also passed into the hands of the working people. Consequently, they lost their ruling position in the enterprises and have no choice but to accept the education and transformation carried out by the working class. The peasants and artisans have changed from individual producers into collective workers and, together with the working class, have become masters of the socialist economy. The working class becomes the leading class of the state, controls the lifelines of the national economy, and occupies a leading position in social production as a whole. Thus, in socialist production in our country, relations have formed between two exploiting classes and two working classes. The two exploiting classes are, first, the remnants of

---

[1] Mao Zedong, "Speech At Party National Conference on Propaganda Work," in *Selected Works of Mao Zedong*, Vol. V, 422.

[2] Ibid, 422.

the landlord and comprador class, and second, the bourgeoisie. The two working classes are the workers and collective peasants. The mutual relations in socialist production consists mainly of the relations among these four classes and within each of them. The mutual relations among the four classes in socialist production are not parallel. The basic contradiction of socialist society determines that, throughout the socialist historical stage, the principal contradiction is that between the proletariat and the bourgeoisie. Generally speaking, the class occupying a dominant position in social production is the proletariat, while the class occupying a dominated position is the bourgeoisie. However, throughout the socialist historical stage, the core forces of the bourgeoisie have already shifted into the ruling Communist Party. Thus, when capitalist-roaders within the Party hold a certain degree of power, the relation between the proletariat and the bourgeoisie can once again be reversed within limited areas: the proletariat will occupy a position of being ruled and exploited by the bourgeoisie within the Party. As a result, complex phenomena appears in class relations. Nevertheless, regardless of which phenomenon occurs, under socialist conditions and in the production process, the most fundamental relation remains the class relation between the proletariat and the bourgeoisie, including the bourgeoisie within the Party.

From Khrushchev and Brezhnev to revisionists such as Liu Shaoqi, Lin Biao, and Deng Xiaoping, all spread the notion that once socialist public ownership becomes the state's sole economic base, all exploiting classes have been eliminated. Their reasoning is that exploiting classes become exploiting classes because they own the means of production and use them to exploit workers; once public ownership of the means of production is established, the exploiting classes will no longer exist. Consequently, people's mutual relations in production will lose their character as class relations. This fallacy is completely contrary to Marxism and to the reality of socialist society.

Lenin said: "**Classes are large groups of people differing from each other by the place they occupy in a historically determined system of social production, by their relation (in most cases fixed and formulated in law) to the means of production, by their role in the social organization of labor, and, consequently, by the dimensions of the share of social wealth of which they dispose and the mode of acquiring it. Classes are groups of people one**

of which can appropriate the labor of another owing to the different places they occupy in a definite system of social economy."[1] Lenin's definition of class remains highly important for understanding changes in class relations in socialist society. In socialist society, although the old bourgeoisie have lost the means of production through socialist transformation, they can not "lay down the butcher's knife and immediately become Buddha"[2]; they cannot can transform themselves overnight from exploiters into workers living by their own labor. Their bodies remain, and their spirit do not die. Their former economic position determines that, in terms of their economic living conditions, political stance, and ideology, they continue to act as the bourgeoisie; at the same time, the existence of bourgeois right in socialist society shows that the economic base that the bourgeoisie relies on still exists.The new bourgeoisie also continually emerges on the soil of bourgeois right from among some workers, peasants, state organs personnel, and Party members,

This led to the emergence of a bourgeoisie within the ruling Communist Party and of capitalist roaders in authority within the Party.

Chairman Mao profoundly analyzed the class relations of socialist society and made the scientific assertion that the bourgeoisie is right inside the Communist Party, representing a major development of Marxism-Leninism. The bourgeoisie within the Party are capitalist-roaders because, politically, they pursue the revisionist line and insist on taking the capitalist road, turning the instruments of the dictatorship of the proletariat into instruments for dictating over the proletariat; economically, they hold considerable power in deciding the use of the means of production, the organization of social labor, and the social distribution of income. However, they do not use this power according to the social needs of the broad working people, but represent the interests of the bourgeoisie as a whole and use it according to the needs of restoring capitalism. They do their utmost to strengthen and expand bourgeois right, carry out control, restriction, and suppression, put profit in command and deploy material incentives, and use legal and numerous illegal means to suck the blood and sweat of workers and poor and lower-middle

---

[1] Vladimir Ilyich Lenin, "A Great Beginning."

[2] Note from translator: "Lay down the butcher's knife and immediately become Buddha" is a Chinese proverb, which means one can quickly become a good person if one repents and mends one's ways.

peasants. Regardless of whether individuals are consciously aware of it, "**Individuals are dealt with only in so far as they are the personifications of economic categories, embodiments of particular class-relations and class-interests.**"[1] Capitalist-roaders are the personification of capital. They perform the functions of the bourgeoisie and represent capitalist relations of production; they are the principal force endangering the Party and subverting the dictatorship of the proletariat. The emergence of the bourgeoisie within the Party is by no means an accidental or temporary phenomenon, because the socialist economy is still organized and operates according to the commodity system, and bourgeois right exists to varying degrees in all three aspects of relations of production and throughout the processes of production, exchange, distribution, and consumption. Communist Party members likewise live within the economic relations of bourgeois right. As Chairman Mao pointed out: "**After the democratic revolution, the workers and poor and lower-middle peasants do not stop; they want revolution. Yet some Party members no longer want to advance; some people have retreated and oppose the revolution. Why? They have become high officials and want to protect the interests of the high officials.**"[2] Some Party members have already changed, some are in the process of changing, and some will also change if they are not vigilant. Among those Party members who have already changed, by implementing the counterrevolutionary revisionist line in their leadership of economic work, doing their utmost to safeguard and expand bourgeois right, and opposing the socialist revolution, they have become the bourgeoisie within the Party and capitalist roaders in authority within the Party. The bourgeoisie within the Party seeks to undermine socialism and restore capitalism, whereas the proletariat and poor and lower-middle peasants seek to consolidate and develop socialism and realize communism. As the socialist revolution continues to deepen, capitalist-roaders within the Party increasingly become the core and principal force of the bourgeoisie as a whole. Therefore, the struggle between the proletariat and the bourgeoisie in socialist production is primarily the struggle between the proletariat and the bourgeoisie within the Party.

---

[1] Karl Marx, "Preface to the First German Edition," in *Capital*, Vol. I.

[2] "The Cultural Revolution Shall Shine Forever—Commemorating the Tenth Anniversary of the May 16, 1966 'Notification' of the Central Committee of the Communist Party of China," *People's Daily*, May 16, 1976.

During the socialist historical stage, since the principal contradiction in society is the contradiction between the proletariat and the bourgeoisie, all relations among people in production are inevitably governed, constrained, or influenced by it. The mutual relations among working people are no exception: they inevitably bear the imprint of class, possess the character of class relations, and, ultimately, must also manifest themselves as class relations.

Some comrades find it difficult to understand that the mutual relations among working people in socialist production inevitably bear the imprint of class and possess the nature of class relations, and ultimately must also manifest themselves as class relations. These comrades mainly do not understand the law of changes in class relations during the socialist period. After the old bourgeoisie has been overthrown, a new bourgeoisie will continue to emerge. Where does the new bourgeoisie emerge from? Does it not emerge from the working people, and even from within the vanguard of the proletariat? The new bourgeoisie emerges among the working people through a process. In this process, the relations between the broad masses of working people and the members of the new bourgeoisie who are in the process of emerging are class relations. Understanding and recognizing the class nature of these relations requires effort. This is because unlike capitalists who carry money to the labor market to purchase labor and extract surplus value from workers, the bourgeoisie within the Party is not as obvious, and therefore not as easy to identify. However, as long as we examine and analyze such people from the aspects of the revisionist line they implement and the interests of the bourgeoisie they represent, they can still be identified. As these people operate among the working people, they will inevitably bring bourgeois influence to the working people, temporarily misleading some people who are unaware of the truth and have a low level of political consciousness, causing them to follow their revisionist line, and thereby causing the relations among the working people to acquire the nature of class contradictions. After the proletariat seizes political power, the broad masses of workers and poor and lower-middle peasants will certainly not stop; they will continue the revolution and struggle against capital, the capitalists, and the capitalist-roaders. In the course of the struggle, the contradictions between the broad masses of workers and poor and lower-middle peasants and those who are temporarily misled and follow the revisionist line are generally contradictions among the people. But these contradictions are also a manifestation of the contradictions

between two classes, two roads, and two lines. In short, throughout the socialist historical stage, the principal contradiction in society is the contradiction between the proletariat and the bourgeoisie. Relations among the working people are also governed, constrained, and influenced by this principal contradiction and bear the imprint of the contradiction between the proletariat and the bourgeoisie; consequently, the mutual relations among working people in socialist production must ultimately manifest themselves as class relations.

Section Three: Consolidating and Improving Socialist Mutual Relations Through Struggle

Great Active Role of Mutual Relations

Certain mutual relations arise on the basis of a certain ownership of the means of production; however, mutual relations are not passive and inert—they exert a significant active role, can react back upon ownership, and under certain conditions play a decisive role.

The effects of mutual relations on ownership, distribution relations, and the productive forces were already clearly manifested in the historical periods before socialism. For example, in order to maintain and consolidate capitalist ownership and distribution relations, the bourgeoisie must maintain capitalist mutual relations, namely, the subordination of labor to capital. If capitalists and their agents in capitalist enterprises do not possess absolute power to rule over the workers, and if they can not compel the workers to act according to the capitalists' will and submit to their manipulation, capitalist exploitation can not be realized, and capitalist ownership can not be consolidated or developed. The bourgeoisie pays great attention to maintaining and consolidating the subordination of labor to capital in order to consolidate and develop capitalist ownership and capitalist distribution relations. This relationship of the capitalists' domination and enslavement of the workers forms the basic content of capitalist mutual relations. In the course of its consolidation and development, it indeed promoted the development of capitalist private ownership and the development of the distribution relation in capitalist society in which "those who labor do not receive, and those who receive do not labor." In capitalist society, the masses of workers "**Not only are they slaves of the bourgeois class, and of the bourgeois State; they are daily and hourly enslaved by the machine, by the overlooker, and, above all, by the individual bourgeois manufacturer himself.**"[1] The history of mutual relations among people under capitalism is a history stained with the blood and tears of the bourgeoisie's brutal oppression, enslavement, and exploitation of the broad masses of workers.

---

[1] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party.*

In old China, historical facts of this kind were truly countless. Taking Nanyang Brothers Tobacco Company as an example, the relationship between the company's capitalists and its workers was established as follows. In addition to relying on managers, plant managers, overseers, foremen, and others to supervise and direct the workers' labor, the capitalists also specifically hired more than thirty puppet police officers to enforce a barbaric rule by clubs. The police subjected workers to body searches, beatings, and imprisonment, and even hacked them to death with sharp axes. The factory established various rules and regulations restricting the workers' freedom. Article 30 of the factory regulations, revised at the end of 1931, stipulated: "Anyone found, upon investigation, to have violated any of the following provisions shall be dismissed or ordered to pay compensation: 1. Seriously disobeying factory orders; 2. Engaging in group fights or disrupting the workplace; 3. Harassing women in a manner that interferes with work; 4. Stealing public property; 5. Deliberately damaging public property valued at more than five yuan; 6. Deliberately producing defective goods in serious circumstances; 7. Inciting labor unrest or demonstrably disrupting work; 8. Cheating in calculating one's wage; 9. Falsely reporting commodity prices for profit or colluding to collect illicit commissions; 10. Going out without authorization after signing in or punching one's time card." Article 31 further stipulated: "Those who violate any of the following provisions shall be punished according to the severity of the offense, with the fines deducted from their wages; anyone committing such violations four times in a month shall be dismissed immediately: 1. Leaving one's post without permission: a fine of four jiao[1]; 2. Arriving late or being absent without leave: one jiao per day for daily workers and two jiao per month for monthly workers; 3. Carelessness in production: punishment according to the severity; 4. Sleeping, sitting, or lying down: a fine of two jiao; 5. Making noise or shouting: a fine of four jiao; 6. Insulting colleagues: a fine of one yuan; 7. Spitting or sleeping on the floor: a fine of one jiao; 8. Forgetting to collect or punch one's time card: a fine of one jiao; 9. Forgetting to sign: a fine of two jiao; 10. Stopping work prematurely before the end of the shift: a fine of two jiao." From the provisions above, the essence of the relationship between the capitalists and the workers can be seen clearly. This company extracted high profits precisely by subjecting its workers to such cruel oppression. The annual exploitation rates (the ratio of surplus value to variable capital) in 1914 and 1915 were 362% and 404%, respectively; during the period from 1933 to 1936, the annual exploitation rate reached the astonishing level of more than 1,000%.

The establishment of socialist public ownership fundamentally repudiated the relations of exploitation and oppression by capitalists of workers, and required the gradual establishment and development of people's relations with one another in accordance with the socialist principle, so as to give full play to the active role of these relations. After the socialist transformation of the means of production has basically completed, Chairman Mao repeatedly taught us to pay special attention to adjusting people's relations with one another. Changing these relations is an

[1] Note from Translator: Jiao is a unit of currency used in China, which is 1/10 of a yuan.

important link in changing the relations of production. Grasping this link and continually making adjustments is of great significance for consolidating and improving socialist ownership and Socialist distribution relations, thereby promoting the development of social production as a whole.

The historical experience of the dictatorship of the proletariat at home and abroad proves that the advance or retrogression of socialism is closely linked to whether relations among people can be handled correctly. If bourgeois right in relations among people is restricted under the dictatorship of the proletariat, communist elements will flourish greatly, people's socialist enthusiasm and creativity will be brought into fuller play, the socialist orientation of enterprises will be better guaranteed, socialist ownership will be more consolidated, and distribution relations will also tend toward greater perfection. Conversely, if bourgeois right is strengthened and expanded, allowing capitalist money relations, wage-labor relations, and competitive relations to run rampant, the position as masters and revolutionary enthusiasm of the workers will be suppressed, the thinking of some of the masses will be corrupted, and the decadent and vulgar ideological style of the bourgeoisie will inevitably grow among the people; the new type of relationship among the cadres and the masses, technical personnel, management personnel, and workers will become an antagonistic class relationship of rule and being ruled; socialist public ownership will be harmed and may even degenerate and change in nature; and socialist distribution relations will likewise, while retaining the shell of "distribution according to work," become a relation of exploitation and being exploited in which a small privileged class appropriates the fruits of the labor of the broad masses of workers and peasants.

Constantly adjusting mutual relations among people in production is also an important factor in promoting the development of the social productive forces. The mutual relations gradually established on the basis of public ownership of the means of production and in accordance with the socialist principle, whether within an enterprise, among different enterprises and economic departments, or between the state-owned economy and the collective ownership economy, must directly affect the basic factor of the productive forces—the workers. Therefore, properly handling these mutual relations helps fully mobilize the workers' socialist enthusiasm as masters of the country, fully mobilize the strength of all economic departments, make full use of

and tap economic potential, and promote the rapid development of the social productive forces as a whole. The countless examples of socialist construction in China demonstrate that a Great Leap Forward is impossible without resolving the problem of mutual relations. In socialist production, as relations among people gradually develop toward comradely relations characterized by mutual assistance and mutual promotion in the process of restricting bourgeois right, enterprise production flourishes; when these mutual relations are undermined, the opposite situation arises.

Consolidate and Improve Mutual Relations in Accordance With the Socialist Principle

The tremendous active role of mutual relations requires that, after the socialist transformation of ownership has been basically completed, people attach full importance to consolidating and improving these relations. For many years, and especially since the Great Proletarian Cultural Revolution, China's industrial and mining enterprises and rural people's communes have carried out extensive work, in accordance with the socialist principle, to improve mutual relations in socialist production while deeply criticizing the revisionist line of Liu Shaoqi, Lin Biao, and Deng Xiaoping. They have accumulated and created a wealth of experience. In summary, the most fundamental requirement is to uphold the Party's basic line throughout the socialist historical stage, give full play to the active role of the socialist superstructure in consolidating and developing the socialist economic base, criticize and restrict bourgeois right under the dictatorship of the proletariat, eliminate bourgeois right ideology, and enthusiastically foster new developments that help narrow the three major differences and contain embryonic communist elements.

Revolutionary leaders have always attached great importance to restricting bourgeois right in relations between people. When Marx and Engels summarized the historical experience of the Paris Commune, they spoke highly of the revolutionary measures restricting bourgeois right, such as the Commune's provision that incompetent Commune members could be recalled at any time. After the victory of the October Revolution, Lenin waged an unremitting struggle to restrict the bourgeois right that was extensively present in relations between people. Lenin highly praised the "Communist Subbotnik" initiated by workers and, adopting the posture of an

ordinary worker, took part in the "Communist Subbotnik," setting a brilliant example in restricting bourgeois right in relations between people. Chairman Mao attached even greater importance to restricting bourgeois right in relations between people and repeatedly taught us: "**All our cadres engaged in work, regardless of the level of their positions, are servants of the people.**"[1] "**To be both an 'official' and an ordinary person.**"[2] Following Chairman Mao's teachings, cadres at all levels must be able to move up and down, continually improve relations between higher- and lower-level personnel, maintain close relations between the cadres and the masses, and consciously restrict bourgeois right in relations between people.

All revisionist elements always strive to expand bourgeois right in the sphere of interpersonal relations, thereby serving the restoration of capitalism. Liu Shaoqi and Lin Biao desperately promoted "the theory of superior leadership," slandering workers and peasants as petty people who only wanted "wishing you prosperity" and "may wealth come in," and asserting that enterprise management must "rely especially on plant managers, engineers, and technicians." Deng Xiaoping likewise hated the workers and peasants, claiming that "relying on workers, peasants, and soldiers is relative." He particularly hated the new cadres emerging from among the workers and peasants, slandering them as having "come up by helicopter," and proposing the so-called "theory of steps" and seniority-based promotion. The essence of these fallacies is to consolidate and expand bourgeois right in interpersonal relations and to restore the relationship between leadership and the masses as one of rule and obedience.

The practice of the socialist revolution tells us that, in order to restrict bourgeois right, we must resolutely break with bourgeois right ideology and expand the dissemination of communist ideas. Among some cadres, phenomena such as striving for position, clamoring for prestige, and comparing ranks, as well as sayings such as "work is difficult to carry out without regulations, cadres are difficult to be without authorities, and the masses are difficult to manage without rewards and punishments" and "production requires rewards, while management relies on punishments," are all manifestations of bourgeois right ideology. Bourgeois right ideology is the

---

[1] *Liberation Daily* (Yan'an), December 16, 1944.

[2] "Struggle to Strengthen the Dictatorship of the Proletariat—Resolution of the Shanghai Revolutionary Committee, June 2, 1967," *People's Daily*, June 8, 1967.

reflection of bourgeois right in the realm of ideas and serves to safeguard bourgeois right. Therefore, breaking with bourgeois right ideology is also an important prerequisite for restricting bourgeois right; the more thoroughly it is broken with, the more effectively bourgeois right can be restricted. During the socialist historical stage, bourgeois right in the sphere of mutual relations will continue to exist for a long time, and bourgeois right ideology—including ideas of private ownership, hierarchy, and employment—cannot be expected to be completely eradicated from people's minds overnight. Therefore, criticizing bourgeois right ideology is a long-term combat task. In the socialist revolution and socialist construction, tens of millions of advanced figures possessing a high degree of communist consciousness have emerged, as have many new developments that shine with the brilliance of communist ideas. Publicizing and developing these communist elements is of great significance for breaking with bourgeois right ideology, liberating more people from the narrow outlook of bourgeois right, consciously restricting bourgeois right, gradually eliminating the soil that breeds the bourgeoisie, and consolidating and developing socialist mutual relations.

The “Angang Constitution,” formulated personally by Chairman Mao, is the fundamental principle for correctly handling interpersonal relations within socialist enterprises and managing socialist enterprises. These principles are: firmly putting proletarian politics in command, strengthening Party leadership, vigorously developing mass movements, implementing “two participations, one reform, and three integrations” (namely, cadres participating in labor, mass participation in management, reforming irrational rules and regulations, and implementing the integrations of workers, cadres, and technical personnel), and vigorously promoting technical innovation and technical revolution. Firmly putting proletarian politics in command, strengthening Party leadership, and vigorously developing mass movements are the fundamental guarantees that enterprises will develop along a socialist orientation; implementing “two participations, one reform, and three integration” is the fundamental means of eliminating bourgeois right ideology and restricting bourgeois right within socialist enterprises. The “Angang Constitution” is the fundamental law for the proletariat to exercise all-round dictatorship over the bourgeoisie within enterprises, as well as the basic program for managing socialist enterprises.

In a 1964 directive concerning the socialist education movement, Chairman Mao pointed out: "**The bureaucratic class and the working class and the poor and lower-middle peasants are two sharply antagonistic classes.**" "**Management is also part of the socialist education movement. If management personnel do not go to workshop to carry out the 'Three Together,' apprentice themselves to teachers, and learn one or several skills, then throughout their lives they will remain in a state of sharp class struggle with the working class, and in the end the working class will inevitably overthrow them as bourgeois elements. If one does not learn technology and remains an outsider for a long time, one cannot manage well either. By means of that darkness, to make others enlightened[1] is unacceptable.**"[2] Chairman Mao's directive is both a powerful ideological weapon in the struggle against the bourgeoisie within the Party and an important guide for establishing socialist mutual relations between the cadres and the masses. Generally speaking, cadres who can follow Chairman Mao's teachings and frequently go to workshops to study, criticize, and work together are more conscious in resisting bourgeois ideology and more self-aware; they are better able to accept criticism and supervision from the masses and uphold the socialist orientation of enterprises; they are also more familiar with production conditions and less likely to give arbitrary orders. Chairman Mao once pointed out: "**[We] must uphold the system whereby cadres participate in collective productive labor. The cadres of our Party and state are ordinary working people, not masters who ride roughshod over the people. By participating in collective productive labor, cadres maintain the broadest, most regular, and closest ties with the working people. This is a matter of fundamental importance under the socialist system; it helps overcome bureaucracy and prevent revisionism and dogmatism.**"[3] There is a ballad by Shanghai textile women workers describing the changes in a factory leading cadre before and after participating in collective production labor: "In the past, she never went around the workshop; now she seeks instruction beside the machines. In the past, she did not

---

[1] Note from translator: "By means of darkness, to make others enlightened" is a quote from Mencius, which means to light the way for others despite being in darkness themselves.

[2] "Build the Party Through Struggle," *People's Daily*, July 1, 1976.

[3] "On Khrushchov's Phoney Communism and its Historical Lessons for the World, Ninth Commentary on the Open Letter of the Central Committee of the CPSU," *People's Daily*, July 14, 1964.

understand the situation; now she knows everything by working alongside the team. In the past, problems could be dragged out; now they are resolved immediately. In the past, she only made grand reports; now the workshop trusts her. In the past, she was nicknamed 'little bureaucrat,' now she is one of the sisters." From this, it can be seen that after cadres participate in collective production labor, they shed the "Three Styles" and "Five Attitudes," become imbued with revolutionary vitality, and relations between cadres and the masses grow closer. Conversely, if leading personnel, management personnel, and technical personnel do not participate in labor for long periods, put on airs of authority, seek special privileges, fail to go to workshops and production teams to integrate with the masses, learn from workers and peasants as their teachers, and earnestly reform their worldview, then, as Chairman Mao pointed out, they will remain in a state of acute class struggle with the working class and poor and lower-middle peasants throughout their lives; they may even degenerate into members of the new bourgeoisie and will ultimately inevitably be overthrown by the working class and poor and lower-middle peasants.

Mass participation in management is determined by the nature of socialist relations of production and is the most fundamental right of workers and peasants under socialism. Whether working people can manage socialist enterprises reflects the fundamental question of what position working people occupy in production. Lenin pointed out profoundly: "**At all costs we must break the old, absurd, savage, despicable and disgusting prejudice that only the so-called 'upper classes,' only the rich, and those who have gone through the school of the rich, are capable of administering the state and directing the organizational development of socialist society.**"[1] However, the old and new revisionists always do their utmost to oppose mass participation in management, treating workers as objects to be "controlled, checked, withheld from, and punished." In 1920, at the Ninth Congress of the Russian Communist Party (Bolsheviks), Trotsky clamored for the implementation of the "militarization of the trade unions themselves" and the "militarization of the working class," advocating the use of coercive military command methods against workers and "establishing a system in which the worker regards himself as a labor soldier who cannot freely dispose of himself." If workers did not work properly, they "should be confined to reform-through-labor camps or concentration camps";

[1] Vladimir Ilyich Lenin, "How to Organise Competition?," in *Lenin's Collected Works*, Vol. 26.

those who refused orders to transfer would "be punished as deserters." Trotsky even openly advocated to impose "forced labor" upon workers. Before the Great Proletarian Cultural Revolution, because of interference from the revisionist line, many enterprises followed the practices of "one person in command, technocratic management of factories" and "the leadership makes the laws, management personnel enforce them, and the masses obey them," leaving the working people in a position of being controlled, restricted, and suppressed. During the Great Proletarian Cultural Revolution, the broad masses of workers and peasants, under the leadership of the Party, have launched a fierce assault on the practices of "one person in command, technocratic management of factories" and created many fresh experiences in mass participation in management. For example, representatives of the workers and peasants directly participated in the revolutionary committees in enterprises, while neither leaving their production posts nor neglecting their work; they regularly used the method of "explain the line, expose contradictions, and promote transformation," mobilizing the masses freely and employing big-character posters, great debates, big speeches, and airing views, as well as such forms as discussion meetings and short commentaries, to criticize problems in the leadership's implementation of the line and policies and to carry out revolutionary supervision. All this represented a new development in mass participation in management and played an important role in improving socialist mutual relations.

In enterprise management, reforming irrational rules and regulations is also one aspect of the continual adjustment and transformation of socialist mutual relations. Any socialized production must establish certain rules and regulations. However, all rules and regulations are formulated under certain relations of production and ultimately reflect those relations of production. Examining the issue of rules and regulations apart from relations of production does not conform to reality; it inevitably leads to the error of seeing only things and not people, and thus to going astray. Chairman Mao's instruction that "**the regulations must benefit the masses**"[1] correctly answers the relationship between socialist relations of production and rules and regulations. Under socialism, workers and peasants are the masters of socialist relations of

[1] "Take the Line as the Key Link and Establish and Improve Rational Rules and Regulations," *People's Daily*, May 31, 1972.

production; the formulation and implementation of all enterprise rules and regulations must proceed from this point.

This is the most fundamental characteristic distinguishing socialist rules and regulations from capitalist rules and regulations. If the guiding principle for formulating regulations is "the theory that the masses are backward," and the focus is on using regulations to suppress workers, then the regulations formulated will inevitably undermine the new relations among people within socialist enterprises and will necessarily meet with resistance from the workers and the masses. Before the Great Proletarian Cultural Revolution, under the influence of the revisionist line pursued by Liu Shaoqi and Deng Xiaoping, many enterprises had "rules and regulations as numerous as hemp, with every clause tightly tied to rewards and punishments," which seriously constrained the masses' initiative; it is therefore only natural that during the Great Proletarian Cultural Revolution they come under fierce attack and criticism from the workers and the masses. The "Several Questions Concerning the Acceleration of Industrial Development" (commonly referred as "Regulations") concocted by Deng Xiaoping after he resumed work went even further, attempting, in the name of "rectifying" labor organization, to restore an entire set of revisionist practices—including control, restriction, and suppression—that have been criticized by the broad masses during the Great Proletarian Cultural Revolution, and consequently comes under criticism from the masses once again. However, as long as the bourgeoisie within the Party exists, such regulations that constrain the masses' initiative will revive. Therefore, it is necessary to mobilize the masses continuously and, under leadership and in a planned manner, reform those rules and regulations that are unfavorable to unity and cooperation and constrain the masses' enthusiasm; at the same time, on the basis of summing up the practical experience of the broad masses, new rules and regulations must be formulated or existing ones improved, and through thorough and meticulous political and ideological work, implementation of reasonable rules and regulations must be founded on the masses' conscious commitment. Only such regulations are beneficial to the masses; only then can the masses' socialist enthusiasm be fully aroused, meeting the needs of improving socialist mutual relations and developing the productive forces.

> Before the Great Proletarian Cultural Revolution, Shanghai No. 33 Cotton Textile Mill had formulated 103 sets of rules and regulations totaling 330,000 words. These rules and regulations fell into several categories: some controlled, restricted, and suppressed the workers, constraining their socialist enthusiasm; some were devised behind closed doors, divorced from reality, overly detailed, impossible for workers to remember or carry out, and unsuited to the needs of production development; and some, although basically consistent with production realities, were formulated and implemented without fully mobilizing and relying on the workers, and thus were not accepted by the masses. The workers hated this system. During the Great Proletarian Cultural Revolution, the broad masses of workers have rose up and attacked unreasonable rules and regulations. In the course of struggle, criticism, and reform, relying on the masses to formulate reasonable rules and regulations on the basis of criticizing the revisionist line and summing up experience, the factory continually improved them as production developed. The workers believe that a technical measurement system is still necessary. After discussion, they abolished deductions from points and bonuses and established a new technical measurement system in which everyone helps and learns from one another, and measures and inspects one another's work. As a result, product quality and operating skills are now better than before. Reforming the unreasonable rules and regulations further improves relations between the leadership and the masses, and between technical personnel and management personnel on the one hand and the workers on the other, powerfully promoting the development of production. The cotton cloth produced by this factory has long enjoyed the honor of being "exempt from inspection" nationwide and has been praised by dyeing and printing mills as "all-purpose cloth."

In reforming irrational rules and regulations, a very important step is to handle the relationship between division of labor and cooperation correctly. A reasonable division of labor and a post duty system are necessary, but more important is to rely on people's consciousness. Before the Great Proletarian Cultural Revolution, the revisionist line promoted by Liu Shaoqi and Deng Xiaoping divided the various trades into rigidly defined and overly narrow categories, emphasizing the creation of opposing sides and mutual restriction, and even describing workers' mutual assistance as "violating the posts-and-responsibilities system." As a result, "division of labor became like divorce, and different trades became like mountains apart," trapping the enthusiasm of the workers in the confines of specialized division of labor and constraining the development of the productive forces. Since the Great Proletarian Cultural Revolution, the broad masses have broken through the excessively narrow and rigid division of labor that bound workers' hands and feet. Various forms of campaign-style joint production and "mastery of multiple skills" activities have flourished, broadening workers' horizons, strengthening

revolutionary solidarity, bringing workers' wisdom and abilities into play, and creating new productive forces.

> Before the Great Proletarian Cultural Revolution, Shanghai Hujiang Machinery Factory explicitly stipulated that apprentices were not allowed to operate the machine tools used by their masters. If a master took leave, the machine was to remain idle rather than be used by anyone else. When equipment malfunctioned, even if the operator could easily repair, the operator still had to wait for a maintenance worker to make the repair. Workers who violated the regulations received a written self-criticism for minor offenses, while serious offenses resulted in the revocation of their operating certificates. During the Great Proletarian Cultural Revolution, the workers have criticized the revisionist line on running enterprises, exposed the serious dangers of an excessively narrow and rigid division of labor, and launched a mass campaign for mastery of multiple skills, greatly exceeding the scope prescribed by the posts-and-responsibilities system. Of the more than 800 workers in the factory, 55% have already mastered not only the skills of their own trade but also those of two or three other trades. Operators can both operate and maintain and repair equipment.

In the practice of production struggle and scientific experimentation, the "three integration" of cadres, workers and peasants, and technical personnel is implemented, bringing leadership and the masses together and combining the practical experience of workers and peasants with the theoretical knowledge of technical personnel to jointly study and resolve major production technology issues. This not only facilitates the development of mass technical innovation and technical revolution, but also helps achieve the working-class integration of intellectuals and raise the knowledge level of workers and peasants, helps narrow the essential distinction between intellectual labor and physical labor, further restrict bourgeois right in interpersonal relations, and develop relations among revolutionary socialist comrades.

Socialist mutual relations are established through struggle, and can develop and gradually improve only through struggle. Focus on the middle to promote both ends. By firmly grasping mutual relations as an important link in the chain of relations of production, we will promote the continuous development and improvement of ownership relations and distribution relations, thereby continually advancing socialist relations of production.

Section Four: Revival of the Rule of Capital Over Labor in the Soviet Union

The duality of people's mutual relations in socialist production shows that socialist mutual relations contain two possible directions of development. In terms of the general trend of the laws of social development, the communist elements within socialist mutual relations will gradually grow stronger, bourgeois right will gradually be restricted, and socialist mutual relations will gradually become more complete, eventually developing into communist mutual relations. However, because bourgeois right seriously persists within socialist mutual relations, the possibility of the restoration of capitalist relations also exists. If leadership over the Party and the state and over enterprises is usurped by those in power who are taking the capitalist road, and a revisionist line is implemented, bourgeois right within socialist mutual relations will expand, and socialist mutual relations will degenerate and change into capitalist relations—that is, relations in which capital rules labor. This process of regression and restoration has already been completed in the Soviet Union. Studying how the Soviet revisionist traitor clique transformed socialist mutual relations into capitalist relations, and drawing negative lessons from it, is undoubtedly extremely necessary for the revolutionary people.

The Soviet revisionist traitor clique, in order to replace socialist mutual relations with capitalist relations, flatly denies the serious existence of bourgeois right within socialist mutual relations, denies the class character of mutual relations, and absurdly claims that within socialist society, relations between people have become purely relations of "comrades, friends, and brothers." The Soviet Union's pet economists also have join in shouting that the Soviet Union has already "no antagonistic classes and no social groups with a vested interest in preserving rotten and obsolete economic relations." This is utterly revisionist nonsense. Anyone with even a little basic knowledge of Marxism knows that in a class society there can never be class-transcending relations of "comrades, friends, and brothers." Can the proletariat and working people possibly be "comrades" with the small handful of capitalist roaders in authority within the Party? Can the proletariat and working people be "brothers" of the new and old bourgeois

elements? Modern revisionists promote this kind of fallacy solely to deceive the working people, conceal their scheme of strengthening and expanding bourgeois right in the sphere of mutual relations, transform socialist mutual relations into capitalist relations, and thereby comprehensively restore capitalism.

An important measure by which the Soviet revisionist traitor clique transformed socialist mutual relations into capitalist relations is its vigorous promotion of the revisionist "one-man management" system. Under their "one-man management" system, the plant manager is the enterprise's absolute leader, while workers have only the obligation to obey the plant manager's orders and have absolutely no right to concern themselves with how the enterprise is managed. Khrushchev openly declared that, in enterprise management, "learning from the capitalists' good example is not considered a fault." ("Report on the Program of the Communist Party of the Soviet Union") The Soviet revisionist regime's pet economists claim that this "one-man management" system originates in the nature of large-scale machine industry and bases on the need for production to maintain strict coordination. In other words, they claim that wherever there is large-scale machine industry, "one-man management" is indispensable. The claim that level of productive forces determines the nature of enterprise management is a thoroughly revisionist fallacy. Admittedly, socialized large-scale production objectively requires the establishment of a centralized and unified command system in order to coordinate relations within and outside the enterprise, as well as between the higher and lower levels and among the various parties. But whose hands ultimately hold this centralized and unified power depends on the nature of the ownership of the means of production in the enterprise. Under capitalism, the function of centralized and unified command requires by socialized large-scale production is combined with the function of capital; the power of the enterprise is concentrated in the hands of the capitalists and their agents, manifesting itself as capital's despotic rule over labor. Under socialism, the function of centralized and unified command required by socialized large-scale production is combined with the historical task of the proletariat to build socialism. The power of the enterprise must be placed in the hands of true Marxists and the working masses in order to ensure that the enterprise advances in the correct socialist direction, fully mobilize the masses' socialist enthusiasm, and promote the rapid development of production. The Soviet revisionist

traitor clique's advocacy and implementation of the revisionist "one-man management" system is intended to use the arbitrary rule of bureaucratic monopoly bourgeois elements to safeguard the bureaucratic monopoly capital's domination over labor, oppress and exploit the Soviet Union's working class and working masses, and fundamentally deprive the workers of their power to control the enterprise.

The Soviet revisionist traitor clique and its pet economists are also strenuously expanding bourgeois right in the mutual relations of production and exchange, clamoring to "vigorously develop commodity-money relations in every economic sphere." Under the banner of "reform," they are frantically expanding the scope of monetary exchange and the stimulating effect of prices, allowing capitalist money relations, buying and selling relations, and competitive relations to run rampant, and rapidly dismantling socialist mutual relations. Within enterprises, the bourgeois elements appointed by the Soviet revisionist traitor clique—plant managers, managers, collective farm chairmen, and the like—have become the masters wielding all power over the enterprises, while the broad working people have once again been reduced to wage slaves selling their labor. Between enterprises, meanwhile, they attack and scheme against one another for profit, deceiving and manipulating each other and engaging in intrigue. In short, people's mutual relations in production and exchange have degenerated into thoroughly capitalist money relations, wage-labor relations, and competitive relations. Consider the facts.

> In the Soviet Union, heads of government agencies and factories can dismiss workers on any pretext. According to the Soviet revisionist press, Kropian, head of the Second Nonferrous Metals Bureau of the Armenian Republic, dismissed his subordinates for all sorts of reasons, including: "his gaze was ill-intentioned," "he was not a relative by marriage of his family," "his grandson needed the position," and so on. The bureau had a regular staff of 62, but in the mere 15 months since Kropian had taken the director's seat, he had hired and dismissed 79 people in succession. Regarding this kind of relationship, a manager of the Soviet revisionist Ministry of Agriculture Construction Trust made a remarkably candid confession: "The trust is my home, and I am the master; I can do whatever I want." A Soviet woman, speaking from her own experience, exposed the substance of this so-called "comrade, friend, and brother" relationship. She said: "Here, it used to be the capitalists and rich peasants who ruled; now it is the new capitalists and new rich peasants who rule."

The Soviet revisionist monopoly bourgeoisie, on the one hand, throws tens of thousands of workers it does not need out through the factory gates; on the other hand, it has established more than 250 official labor markets—the "Labor Employment Bureaus" or "employment agencies"—in cities across the country with populations of over 100,000, recruiting cheap labor power for enterprises and earning commissions from it. Marx pointed out: "**[Surplus laboring population] forms a disposable industrial reserve army, that belongs to capital quite as absolutely as if the latter had bred it at its own cost. Independently of the limits of the actual increase of population, it creates, for the changing needs of the self-expansion of capital, a mass of human material always ready for exploitation.**"[1] The so-called "labor mobility" in the Soviet Union is the industrial reserve army of capitalist society. Today, the ranks of this industrial reserve army continue to expand.

The Soviet revisionist traitor clique likewise expands bourgeois right in mutual relations in the countryside, fosters the spontaneous forces of capitalism, cultivates a privileged class, and transforms mutual relations in the countryside into capitalist relations.

> The Soviet revisionist press reveals that, in the "collective farms" of the Soviet Union, farm members must comply with all kinds of so-called "discipline" and "rules and regulations"; the slightest disobedience results in various "charges" being brought against them, followed by such punishments as reassignment, reduced income, removal from office, and expulsion. Within a year, the chairman of the Road to Communism collective farm in Pestretsy District, Tatar Region, issued more than one hundred different penalty orders, and one out of every four collective peasants was punished. The chairman of the Frunze collective farm in Belgorod admitted that he "served the function of a whip"; "anyone who criticized the collective farm chairman risked having no firewood for the winter and no hay for the cows." Within the "collective farms," the relationship between the farm bosses and the members is in no way different from the relationship of domination and subordination, enslavement and being enslaved, in a capitalist economy.

Many contemporary Soviet revisionist literary works also reveal the true nature of the Soviet revisionists' advocacy of relations among "comrades, friends, and brothers."

---

[1] Karl Marx, "Chapter Twenty-Five: The General Law of Capitalist Accumulation," in *Capital,* Vol. I.

In the play *The Outsider* by the revisionist Soviet writer I. Dvoretsky, the protagonist, Cheshkov—a revisionist Soviet Party member and engineer at a certain enterprise—goes to Foundry Workshop No. 26 of Neresh Company to "change its backward appearance." Arrogantly, he roars at the workers: "We are the leaders; our hands do nothing—we work by speaking and by using our brains." He orders the foreman to monitor the workers: "Keep your eyes on them; grip them by the throat"; anyone who disobeys is to have "half their bonus deducted" and be "beaten with the ruble." As the manager of a major enterprise in the play admits, "'The Outsider' should not be explained superficially; … 'the Outsider' is … a change in the existing relations."

In *The Story of Manager Plonchatov*, Plonchatov, following the line advocated by the ruling group of the Soviet revisionists—that "scientific management" should be strengthened through "the rule of law" and "discipline"—put forward the principle that "kindness should be accompanied by a fist." When workers disobey orders, "demand the abolition of progressive piece-rate wages," or even take you to court, that is the "fist"; when they obey properly, they are rewarded with a month's wages—that is "kindness." Such kindness serves only to conceal the ruthless exploitation of surplus value from the workers. This management and discipline are merely the capitalist management and discipline that Lenin once exposed as being "maintained through hunger."

The Soviet revisionist leader Brezhnev once claimed that, in Soviet society, "new, harmonious relations—relations of friendly cooperation—have emerged." The actual state of relations among Soviet people in production today provides the best commentary on this fallacy: what Brezhnev called "new" is in fact the old—the return of the abolished capitalism; what is called "harmony" is in fact the antagonism between the bureaucratic monopoly bourgeoisie and the broad masses of working people; and what is called "friendly cooperation" is in fact the sharp competition among bureaucratic monopoly capital. In a word, the true content of the "comrade, friend, and brother" relations so extravagantly touted by the Soviet revisionists is the despotic rule of capital over labor.

Part Two: Socialist Production Process

Chapter Three: Nature and Purpose of Socialist Production

Section One: Products and Commodities of Socialist Society

The establishment of socialist public ownership of the means of production have changed the nature of labor products, brought social production into a new historical stage, and initiated a new process of the movement of contradiction. In this new process of the movement of contradiction, the objective purpose of social production have changed; the purpose of socialist production is not to pursue profit, but to meet the needs of the socialist state and the working people. However, because socialist production is still commodity production and must still realize value and profit, capitalist production that puts production value and profit in command will also emerge. Why does this contradictory phenomenon occur, and where does its root lie? To answer this, we must first analyze the nature of products in socialist society. This is because the products of socialist society contain the germs of a series of intricate contradictions. Once these germs of contradiction are brought to light, the series of contradictions existing in socialist society can be analyzed further by following the clues. To make the issue clear through comparison, let us briefly analyze the nature of production and products under private ownership. Under the private ownership of the means of production, what to produce, how to produce it, and how much to produce are all matters belonging to private individuals, and the products are also privately owned. Thus, production directly manifests itself as private production, while labor and products directly manifest themselves as private labor and private products. When these private products are not produced for the producers' own consumption but for exchange, the products are transformed into commodities. Commodities and the labor that

produces commodities are, on the one hand, private products and private labor, while on the other hand they are social products and social labor. This is because a commodity is a labor product intended to satisfy social needs, and the labor that produces commodities constitutes a part of total social labor.

However, under private ownership, the social character of products and labor cannot manifest itself directly; they cannot be direct social products and direct social labor. It can only be demonstrated indirectly—through exchange—when it is proven that the commodities produced are needed by society; only then is the social character of the products and their labor confirmed. This contradiction between social labor and private labor is the internal contradiction of commodities and commodity production.

"**What are commodities? Products made in a society of more or less separate private producers, and therefore in the first place private products.**"[1] Since a product is first and foremost a private product, it can confront other products as a commodity. Under socialist public ownership, then, do social products still possess a private character, and are they still commodities? This is a major theoretical question of practical significance and must be answered. In socialist society, after the socialist transformation in the ownership of the means of production has been basically completed, with the exception of a small residual amount of individual ownership, all social production has been established on the basis of public ownership of the means of production. From then on, the nature of social production and products has changed. Viewed as a whole, production by the state-owned economy and collective economy based on socialist public ownership is carried out throughout the country in a planned and organized manner, directly to satisfy society's needs. The products they produce, especially those of major importance to the national economy and people's livelihood whose output is directly stipulated by the state plan, demonstrate from the outset that they are useful to society. Thus, products and the labor producing them have begun, to varying degrees, to possess the character of directly social products and directly social labor. As Engels pointed out: "**From the moment when society enters into possession of the means of production and uses them in direct association for production, the labor of each individual, however varied its specifically**

[1] Friedrich Engels, "IV. Distribution," in *Anti-Dühring*.

useful character may be, becomes at the start and directly social labor."[1] For a long period in socialist society, part of the means of production is owned by society as a whole, while another part is collectively owned by the working people; the point has not yet been reached where all the means of production are owned by society as a whole. Nevertheless, the beginning of social ownership of the means of production has been made. Thus, social products and the labor producing them have also begun to acquire a directly social character. The products people produce themselves have begun to cease being an alien force and have begun to be used to satisfy the needs of the working people themselves. "**In bourgeois society, therefore, the past dominates the present; in Communist society, the present dominates the past.**"[2] In socialist society, this beginning of great historical significance has already appeared, marking the entry of social production into a new historical stage. Socialist products have begun to possess a directly social character; in this respect, they possess an element of communism. However, they are not yet fully mature direct social products and still bear, to varying degrees, the traditions or traces of private products from the old society. Why, then, do products produced under socialist public ownership still bear the traditions or traces of private products? This is connected with the degree of maturity of socialist public ownership. In socialist society, although ownership has changed and socialist public ownership has replaced private ownership, there are still two forms of socialist public ownership, namely ownership by the whole people and collective ownership. This means that the means of production still have different owners, and bourgeois right in people's relations of ownership of the means of production has not yet been completely abolished. This situation cannot but be reflected in the relations of ownership of products.

As for enterprises under socialist collective ownership, although the products they produce are no longer private products, they are still not publicly owned by the workers of society as a whole; rather, they belong only to the workers of one collective enterprise. The true Marxist producing these products is likewise organized not throughout society as a whole, but only within the scope of one collective enterprise. In the process of producing these products, the amount of living labor and materialized labor expended and the amount of net income generated

---

[1] Ibid.

[2] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party.*

are also mainly connected with the members of this collective enterprise. Therefore, products publicly owned by the workers of one collective enterprise are, with respect to the state and other collectives, merely the private property of that collective. In this sense, the products of enterprises under collective ownership and the labor producing these products still bear the traditions or traces of private products and private labor.

As for enterprises under ownership by the whole people, although the products they produce all belong to the socialist state, the labor power producing them is organized throughout society as a whole, and the amount of labor expended and income received in the production process also concerns the interests of all working people, each state-run enterprise nevertheless retains relative independence in production and management; they are relatively independent economic units. This relative independence of state-run enterprises is not technical but an economic relationship, indicating that "you-and-me boundaries" still exist between state-run enterprises. Here, although there are no different owners, their relations or mutual connections must still be established as though they were different owners, which differs from future communist ownership by the whole people. Otherwise, it would be impossible. For relations of production must correspond to the requirements of the development of the productive forces. When social productive forces have not yet reached a high level of development and social products are not yet extremely abundant, abolishing the relative independence of state-run enterprises in production and management would not help them assume responsibility independently to society, would not help better mobilize their sense of responsibility and initiative in production and management, and would consequently hinder the development of social productive forces. Since socialist state-run enterprises are still relatively independent economic units, their products and the labor producing these products inevitably still bear certain traditions or traces of a private character.

The labor products of socialism, on the one hand, possess direct sociality to varying degrees; on the other hand, they also bear, to varying degrees, the traditions or traces of private character. This is the duality of socialist products. This duality reflects the characteristics of socialist relations of production and the particularity of their contradictions. In this duality of socialist products, direct sociality constitutes the dominant aspect of the contradiction; this is

where socialist products are connected with communist products. Private character, meanwhile, embodies the traditions or traces of the old society, indicating that it remains intricately connected with the private economy.

In a socialist society, since products still bear the traditions or traces of private products, one party's acquisition of another party's products cannot take the form of gratuitous direct distribution by society; it can only be resolved through the transformation of products into commodities and the implementation of exchange of equal values. Therefore, a socialist state must also implement a system of commodity production and commodity exchange.

Socialist products possess direct sociality and are at the same time said to be commodities, which seems contradictory. In fact, this is not the case. This situation arises because socialist public ownership is still a form of the old public ownership. Engels once pointed out: "**With the seizing of the means of production by society production of commodities is done away with.**"[1] By "**with the seizing of the means of production by society**," Engels meant that all means of production had already become the property of society as a whole. The practice of the international communist movement has shown that, for a fairly long period in socialist society, it is not yet possible for all means of production to belong to society as a whole; moreover, socialist ownership by the whole people itself still bears certain traditions or traces of private ownership. Thus, on the one hand, socialist public ownership causes social products to begin to possess direct sociality; on the other hand, because socialist public ownership is not yet fully mature, social products still retain a certain degree of private character and must still be transformed into commodities. This is how the unique phenomenon of products possessing direct sociality while also being commodities arises.

In the field of political economy of socialism, a view prevailed for a long time: commodity production under socialism is "special commodity production," and is not a remnant of the private economy. Stalin undoubtedly provided many scientific explanations of commodity production under socialist conditions, but he also believed that this commodity production is not ordinary commodity production, but special commodity production; it could never develop into capitalist production and is destined, together with its monetary economy, to serve the cause of

---

[1] Friedrich Engels, "II. Theoretical," in *Anti-Dühring*.

developing and consolidating socialist production.[1] However, history did not develop according to this conclusion. It was precisely on the soil of so-called "special commodity production" that the Soviet Union saw the extensive growth of capitalism and the bourgeoisie, ultimately leading the bourgeois leaders within the All-Union Communist Party (Bolsheviks), Khrushchev and Brezhnev and their associates, to launch a counterrevolutionary coup and restore capitalism in the Soviet Union.

Chairman Mao, drawing on the basic principles of Marxism, summarized the historical experience of implementing a commodity system under socialist conditions and pointed out: "**Our country at present practices a commodity system**"; "**Even now [China] practices an eight-grade wage system, distribution according to work and exchange through money, and in all this differs very little from the old society. What is different is that the system of ownership has been changed.**"[2] With the ownership system changed, commodities are no longer exchanged as products of capital, but as products of the state and collectives. Their characteristics are as follows: First, they mainly embody the relationship of mutual exchange between the two great working classes of workers and peasants. Second, they mainly take place under the guidance of the socialist state plan and are directly intended to meet the needs of the socialist state and its people. Third, compared with capitalist society, the scope of commodities has been greatly reduced: labor is no longer a commodity, and natural resources such as land and mineral deposits are not commodities either. The commodity exchange among enterprises under socialist ownership by the whole people is exchange within the scope of the same ownership system; compared with the commodity exchange historically conducted between different owners, it has also begun to undergo a qualitative change.

However, as long as commodities and commodity production exist, the general characteristics inherent in commodity production will continue to exist. These characteristics are mainly as follows: First, as a commodity, it possesses both use value and value, and contradictions inevitably exist between use value and value, concrete labor and abstract labor, and private labor and social labor. In socialist society, although the labor producing commodities

---

[1] Joseph Stalin, "3. The Law of Value Under Socialism," in *Economic Problems of the USSR*

[2] "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *People's Daily*, February 22, 1975.

is basically collective labor under the guidance of the state plan and has the nature of directly social labor, traditions or traces of private labor still exist. Second, the basic law of commodity production—the law of value—must operate. The value of a commodity is still determined by the socially necessary labor time required to produce it. Therefore, among the different socialist enterprises producing commodities, those whose individual labor time is lower than the socially necessary labor time can obtain greater income; those whose individual labor time is higher than the socially necessary labor time can only obtain less income, or even incur losses. Third, money, as the universal equivalent, still exists. The value of a commodity must therefore be expressed in money, that is, as its price. In socialist society, the value and price of commodities will still diverge. Because the divergences between the prices and values of different commodities vary, the prices of some commodities are higher than their values, those of some are approximately equal to their values, and those of others are lower than their values. Consequently, producers of different commodities may expend equal amounts of labor yet receive unequal incomes. All these circumstances show that as long as products remain commodities and social production takes the form of commodity production, the bourgeois right inherent in commodity production —equal in appearance but unequal in reality—continues to exist.

In socialist society, the existence of the commodity system and of the economic categories and economic laws associated with it—commodity, value, money, price, and the law of value—is objectively necessary. Under the guidance of the proletarian revolutionary line, it can be used to consolidate the worker-peasant alliance and develop the socialist economy. Therefore, it is incorrect either to attempt to abolish it prematurely or to fail to study and master it conscientiously. Nevertheless, the commodity economy is ultimately the old soil of capitalism, and the bourgeois right embodied in commodity production and commodity exchange is an important economic base for the emergence of capitalism and the bourgeoisie. This is because, as long as social products still bear the traditions or traces of private products, and as long as the commodity system exists, production value and profit must be calculated. Thus, fertile soil exists for putting production value and profit in command. A small number of people—especially those who seek to exploit the bourgeois right associated with the commodity system to rise as new bourgeois elements—will seize the opportunity to profit, amass increasing quantities of

commodities and money, and cause stratification in society. Therefore, the bourgeois right associated with the commodity system must be restricted under the dictatorship of the proletariat. Otherwise, capitalism and the bourgeoisie will develop more rapidly. The claim that socialist commodity production cannot give rise to capitalism and the bourgeoisie not only fails to conform to reality but will inevitably be exploited by revisionists. The Soviet revisionist traitor clique fully adopted and "developed" this viewpoint, vigorously propagating that the commodity production there "does not contain a single atom that originated within capitalism," "cannot become the basis for developing capitalist relations," "cannot lead to personal enrichment and the emergence of capitalist elements," and "cannot turn into capitalist production." What they say is merely intended to numb and deceive the people of the Soviet Union, so that they can freely expand commodity-money relations while concealing the fact of the comprehensive restoration of capitalism.

How should bourgeois right in socialist commodity production be understood and treated: should conditions be actively created to gradually restrict it, or should it be strengthened and expanded? This is a major question concerning whether the dictatorship of the proletariat can be consolidated, and an important aspect of the struggle between two classes, two roads, and two lines. The leading figures of the bourgeoisie inside and outside the Party, such as Liu Shaoqi, Lin Biao, and Deng Xiaoping, desperately promoted the "Four Great Freedoms" and the "Three Freedoms and One Guarantee" and implemented "putting profit in command" in order to restore capitalism. They expanded bourgeois right in the commodity system and attempted to transform socialist production into capitalist production aimed at pursuing profit. In the economic sphere, the struggle between the proletariat and the bourgeoisie is always manifested as a struggle between restriction and counter-restriction. Before the basic completion of the transformation of ownership, the proletariat must restrict the development of private capitalism and prevent its destructive effects; after the basic completion of the transformation of ownership, the proletariat must restrict bourgeois right and prevent the restoration of capitalism. This restriction means moving forward. Without restriction, socialism cannot continue to advance, and communist elements cannot develop. Only by restricting bourgeois right in the commodity system and creating conditions to gradually eliminate the traces of private products, so that social production

develops into the direct social production of communism and social products develop into the directly social products of communism, will commodities and commodity production finally disappear, and only then will the soil that breeds capitalism and the bourgeoisie finally be completely eradicated.

Section Two: Basic Economic Law of Socialism

Duality of the Socialist Production Process and Its Dominant Aspect

Under socialism, products have already begun to acquire a direct social character, while still retaining a certain private character; they remain commodities. This situation must necessarily be reflected in the production process, making the socialist production process simultaneously a commodity production process. Thus, the duality of the commodity production process continues to exist. This means that, on the one hand, it is a labor process in which the producers' labor, as concrete labor, creates use value; on the other hand, as abstract labor, it also creates new value.

The commodity production process is the unity of this labor process and value-formation process. Since commodity production under socialism is commodity production based on public ownership of the means of production, its dual character in the production process also has its own distinctive features.

Studying these characteristics is important for further clarifying the nature of socialist production.

When examined apart from the various specific social forms and from the perspective of the operation of its simple elements, the labor process is nothing more than the process in which people with labor power use various means of labor to act upon objects of labor and thereby produce the intended products. It is a purposeful activity that creates use value and a metabolic process between human beings and nature. However, every labor process always takes place within a certain social form. Therefore, every labor process reflects not only the relationship between human beings and nature, but necessarily also the social relations between people. From this perspective, the labor process under socialism differs greatly from the labor process under capitalism.

Under capitalism, the labor process is the process by which capitalists consume workers' labor. It is characterized by the fact that workers labor under the capitalists' supervision, while

the products of their labor belong to the capitalists. This means that under capitalism, labor is wage labor, slave labor, and hard labor performed for exploiters.

Under socialism, the working people become the masters of the state and enterprises for the first time, and socialist labor therefore acquires entirely new characteristics unprecedented in history. The socialist labor process is the process through which workers, peasants, and other laborers create material wealth for the benefit of the working class itself. Its characteristic is that, in socialist production, the working people consciously engage in organized and planned labor as masters; the products of labor are placed entirely at the disposal of the working class itself and are used to satisfy the needs of the socialist state and the broad masses of working people. Therefore, the socialist labor process is a labor process free from exploitation and governed by planning. In this sense, the socialist labor process already contains elements of directly social labor.

However, socialist society is a society in which classes exist. In addition to the working class, exploiting classes also exist. In a socialist society in which those who do not work shall not eat, the former exploiters must also work. For the exploiters, their labor is always coercive. Of course, the coercion exercised by workers over the exploiters differs fundamentally in nature from the coercion exercised by the exploiters over workers. In the past, the exploiters coerced workers into labor in order to exploit them. Today, workers coerce the exploiters into labor in order to gradually transform them through labor into new people who can support themselves. Therefore, the socialist labor process is simultaneously a process of transforming the exploiters and has social class content.

From the perspective of the working people, the labor process under socialism still bears the traditions or traces of the old society. This is because the old social division of labor left behind by capitalist society needs to be gradually eliminated through the entire socialist historical stage. During the socialist period, although the proletariat and the working people have basically freed themselves from the chains of private ownership and escaped exploitation, labor has not yet become the primary need of life for all workers, and part of each worker's labor is still performed for themselves and their families. These traditions or traces of the old society

remaining in the nature of labor can only be completely eliminated in the advanced stage of communism.

These characteristics of the socialist labor process must also be reflected in the value-creation process.

As long as something is a commodity, it embodies the dual character of labor: concrete labor and abstract labor. Concrete labor creates use value, while abstract labor creates value. Value reflects certain social relations. Under different socioeconomic conditions, the social relations reflected by value differ, and the formation of value also differs.

Under the conditions of a simple commodity economy, peasants or artisans engage in production using means of production belonging to them, so the labor products and the value created by the labor embodied in these products naturally belong to them as well. After selling the commodities, they recover the value of the means of production consumed in the production process, while also realizing the new value created by their living labor; generally speaking, this new value is just sufficient to compensate for the value of the means of subsistence required to maintain the reproduction of their labor power. Thus, the production process can continue on the scale of simple reproduction. Marx called the value-formation process under the conditions of simple commodity production the simple value-formation process.

Under capitalist conditions, the purpose of capitalists operating commodity production is to exploit the surplus value created by workers. Through the production and sale of commodities, capitalists recover the value of the means of production consumed in the production process. At the same time, the new value created by the workers' living labor not only compensates for the variable capital that capitalists used to purchase labor, but also leaves a surplus. This surplus is the surplus value appropriated through exploitation by the capitalists. Marx called these value-formation processes in capitalist production value-augmentation processes. The category of the value-augmentation process reflects the relations between capital and wage labor: domination and subordination, exploitation and being exploited.

In the socialist production process, the producers' labor, as abstract labor, creates new value. Should this portion of new value created by the producers belong entirely to the individual producers? No. In order to realize expanded reproduction in the socialist economy and meet the

various common needs of the working people, society must control various social funds. These social funds can come only from the value newly created by the producers. If the newly created value belonged entirely to the individual producers, the socialist economy could not carry out extended reproduction and could only maintain simple reproduction; the various common needs of the working people would also go unmet. Therefore, in socialist society, the value newly created by the producers must be divided into two parts: one part serves as the producers' personal consumption fund and is placed at the producers' own disposal to meet their various needs of life. The other part serves as various social funds, that is, social net income, and is placed under society's unified control for the further development of socialist production and to meet the various common needs of all working people.

This situation shows that, in socialist society, the producers' labor is in fact also divided into two parts: one part may be called labor that forms the social fund, and the other may be called labor that forms the producers' personal consumption fund.

Under socialism, the new value created by producers is divided into the producers' personal consumption fund and the social fund. This is fundamentally different from the division of the new value created by workers under capitalism into wages and surplus value. Under capitalism, the distinction between wages and surplus value reflects capitalist exploitation. There, workers' labor is a commodity governed by the law of value, and wages are the price of labor. Regardless of how great the value newly created by workers may be, the portion accruing to the workers themselves is always equivalent only to the value of the means of subsistence necessary to maintain the reproduction of labor power. The remainder—that is, the surplus value—is not only appropriated by capitalists without compensation, and in turn becomes a means of intensifying the exploitation of workers. Under socialism, the value created by part of the producer's labor must be placed at society's disposal, forming a social fund; but as a member of society, the producer also shares in the benefits provided by the social funds jointly contributed by them and other workers. All the value created by producers is used, directly or indirectly, to serve the interests of the working people. The division between the producers' personal consumption fund and the social fund is regulated by the need to take overall account of the interests of the working people as a whole and of individuals, as well as long-term and current

interests. Therefore, under socialism, the value-formation process differs both from the simple value-formation process in simple commodity production and from the value augmentation process in capitalist production; it is a value-creation process reflecting the distinctive socialist relations of production. Socialist production is the unity of the directly social labor process and the value-creation process. Since the socialist production process is the unity of the directly social labor process and the value-creation process, what, then, is the dominant aspect of the contradiction within this duality?

The dominant aspect of the contradiction in a form of social production embodies the objective purpose of that social production and reflects the most essential relations within it. It is not chosen by people themselves; ultimately, it is determined by the nature of the ownership of the means of production. Whichever class owns the means of production, social production cannot but serve the interests of that class.

Under capitalist ownership of the means of production, the labor process also produces use value, but this is not the purpose of capitalist production. Capitalists operate factories in order to exploit workers through the process of value augmentation and appropriate profits. Value augmentation is the dominant aspect of capitalist production, embodying the most essential relations within it. Marx pointed out: "**The aim of capital is not to minister to certain wants, but to produce profit**"; "**It is that capital and its self-expansion appear as the starting and the closing point, the motive and the purpose of production.**"[1]

Socialist public ownership of the means of production means that social production must serve to ensure that the needs of the proletariat and all working people are met. The needs of the people, whether common or individual, long-term or immediate, can be satisfied only through various use values—that is, material wealth. Therefore, the labor process of creating use values, carried out in a planned manner to meet the various needs of working people, is the dominant aspect of socialist production; it embodies the objective purpose of socialist production and the most essential relation within socialist production. The value-creation process is subordinate to the labor process of creating use values. In the socialist production process, it is entirely necessary to account for labor expenditures and calculate profits and losses. However, what to

[1] Karl Marx, "Chapter 15. Exposition of the Internal Contradictions of the Law," in *Capital*, Vol. III.

produce and how much to produce must never be determined by the size of output value or the amount of profit; instead, they should be based on the needs of all working people. Whatever working people urgently need must be produced with the greatest possible effort, even if this means temporarily operating at a loss. Conversely, whatever working people do not need as urgently should not be produced on an expanded scale at will, even if its output value is high and it yields substantial profits. The reason socialist enterprises must account for labor expenditures and calculate profits and losses is to reduce production costs, so that they can not only be compensated in terms of value but also provide an ever-increasing social fund for the rapid development of production and an increase in the supply of social products. Ultimately, the value-creation process is subordinate to the labor process, whose purpose remains to create ever-increasing social wealth in order to meet the needs of all working people. Before the victory of the October Revolution, Lenin pointed out that in socialist society, "**the wealth created by the common labor will go to benefit, not a handful of rich men, but all those who work.**"[1]

The purpose of socialist production is to meet the needs of all working people. What specific aspects do these needs include?

These needs first include those related to improving the material and cultural living conditions of the proletariat and working people. Engels pointed out long ago that after socialism replaced capitalism, "**The possibility of securing for every member of society, by means of socialized production, an existence not only fully sufficient materially, and becoming day by day more full, but an existence guaranteeing to all the free development and exercise of their physical and mental faculties.**"[2] Lenin also pointed out that socialist society will "**ensure full well-being and free, all-round development for all its members.**"[3] In other words, socialist production will not only ensure the continual improvement of workers' material and cultural living conditions, but will also ensure that workers gradually free themselves from the constraints of the old social division of labor that have existed for thousands of years, develop

---

[1] Vladimir Ilyich Lenin, "May Day," in *Lenin's Collected Works*, Vol. 7, (Progress Publishers, Moscow, 1964).

[2] Friedrich Engels, "II. Theoretical," in *Anti-Dühring*.

[3] Vladimir Ilyich Lenin, "Draft Programme of the Russian Social-Democratic Labour Party, Material for the Preparation of the Programme of the R.S.D.L.P.," in *Lenin's Collected Works*, Vol. 6, (Progress Publishers, Moscow, 1964).

their physical and intellectual faculties comprehensively, and serve to progressively narrow the differences between workers and peasants, between urban and rural areas, and between intellectual and physical labor.

The needs of the proletariat and the working people also include the need to consolidate the dictatorship of the proletariat and national defense. Meeting these needs is an important prerequisite for improving material and cultural life. Socialist society still faces the danger of the restoration of capitalism, as well as the threat of subversion and aggression by imperialism and social imperialism. If the proletariat and the working people do not firmly maintain their political rule, consolidate their national defense, and ensure the security of their country, reactionaries and exploiting classes at home and abroad will make a comeback. At that point, the proletariat and the working people will be unable to improve their material and cultural life and will inevitably have to endure hardship all over again.

At the same time, the proletariat and the working people clearly understand that: **if all humanity cannot be liberated, the proletariat itself cannot achieve final liberation.**[1] Therefore, the needs of the proletariat and the working people also include the need to support the revolutionary struggle of the people of the world.

The above-mentioned needs of the proletariat and the working people, especially those embodying the long-term and overall interests of the working people, must be arranged in a unified manner by the state under the dictatorship of the proletariat. Therefore, the purpose of socialist production can also be said to be ensuring the satisfaction of the ever-growing needs of the socialist state and its people. In summary, socialist production is intended to serve the improvement of the material and cultural standard of living of all working people; to serve the consolidation of the dictatorship of the proletariat, the consolidation of national defense, and support for the revolutionary struggle of the world's people. Ultimately, it serves the final abolition of classes and the realization of communism. This purpose of socialist production is determined by the nature of socialist ownership of the means of production and by the objective

[1] Quote from Chairman Mao. "The Chinese Red Guards Will Forever Stand United and Fight Together with the Albanian Youth," *People's Daily*, June 29, 1967.

conditions of domestic and international class struggle during the socialist historical period; it is not a matter of subjective arbitrariness.

Chairman Mao pointed out as early as the period of China's civil revolutionary war that the first principle of financial and economic work in the Revolutionary base areas was: "**Develop production and ensure supply.**"[1] In discussing the economic construction of the revolutionary base areas led by the socialist state-owned economy, Chairman Mao noted that the purpose of the revolutionary base areas' "**the aim of restoring and developing production will be to improve the people's livelihood on the one hand and to support the People's War of Liberation on the other.**"[2]

After our country entered the Socialist historical period, Chairman Mao put forward the great strategic guideline of "**prepare for war, prepare against famine, and serve the people**" to guide the development of China's socialist production and the entire national economy.

The principles and policies put forward above by Chairman Mao fully embody the objective purpose of socialist production. Under the guidance of Chairman Mao's proletarian revolutionary line, principles, and policies, socialist production in our country flourished, not only ensuring the continuous improvement of the people's material and cultural standard of living, but also consolidating and strengthening the dictatorship of the proletariat and supporting the cause of world revolution.

The purpose of socialist production is to serve the proletariat and the working people; this is determined by socialist relations of production. Organizing socialist production in accordance with this purpose, in turn, will consolidate and develop socialist relations of production, further expand the communist elements within socialist relations of production, and further restrict bourgeois right. However, socialist production is also commodity production, which necessarily requires exchange of equal values and the calculation of cost and profit. When Bukharin denied commodity production and profit under socialism, he once said: "Under the dictatorship of the proletariat, the production process is a means for the planned satisfaction of social needs." Lenin

---

[1] Mao Zedong, "Greet the New High Tide of the Chinese Revolution," in *Selected Works of Mao Zedong*, Vol. IV, 124.

[2] Mao Zedong, "Speech at a Conference of Cadres in Shansi-Suiyuan Liberated Area," in *Selected Works of Mao Zedong*, Vol. IV, 233.

refuted this view, pointing out: "**Profit also meets 'social' needs. It should be said: under these conditions, surplus product does not belong to the class of private owners, but to all the workers, and only to them.**"[1] Under socialism, profit is the transformed form of the part of value that workers create for society. Fundamentally speaking, pursuing profit means realizing this part of value, which benefits society as a whole. Nevertheless, profit is ultimately a category linked to value. When the value of various products is transformed into planned prices, planned prices often diverge from value, and the extent to which the planned prices of different products diverge from value also tends to vary. Therefore, using the same amount of labor expenditure to produce different products will yield different profits. However, product profit rates do not reflect the degree of society's need for those products. A product with a high profit rate is not necessarily urgently needed by society; likewise, a low profit rate does not mean that the product is not urgently needed. If profit is pursued one-sidedly, the contradiction between production and social needs will become acute, leading away from the socialist purpose of production: producing more when profits are high, less when profits are low, and not producing when there is no profit, thereby embarking on the capitalist road of putting profit in command.

Precisely because the socialist purpose of production remains linked to the commodity system, this provides an important economic condition for putting profit in command. If a state under the dictatorship of the proletariat does not restrict the commodity system and instead puts profit in command of everything, it will ultimately change the purpose of socialist production and undermine the socialist economy. In the Soviet Union, its purpose of production has already fundamentally changed. The pursuit of profit has become the production purpose of the Soviet bureaucratic monopoly bourgeoisie. The basic economic law of capitalism—the law of surplus value—has replaced the basic economic law of socialism. In order to conceal the essence of their restoration of capitalism, the Soviet revisionist traitor clique deliberately conflates the socialist production process with the capitalist production process, claiming that both are a unity of the labor process and the process of value augmentation; moreover, they highlight and vigorously promote value augmentation as the dominant aspect. They say that "the most important

---

[1] Vladimir Ilyich Lenin, "Remarks on N. I. Bukharin's Economics of the Transition Period." (Note from translator: this work is not included in the *Lenin's Collected Works*, and very difficult to find on the English internet.)

comprehensive indicators of corporate finance are profit and the profitability rate," and call for "struggling to achieve higher profits." But in doing so, their reactionary nature—desperately plundering the surplus value created by the Soviet working people—has also been exposed.

The Soviet revisionist traitor clique, which hung out the signboard of socialism while carrying out capitalist activities, also desperately distorted the purpose of socialist production in another way in order to deceive the masses, loudly propagating such slogans as "everything for people, for human happiness." Modern revisionists so energetically replace the socialist purpose of production with bourgeois welfarism precisely to use such "enchanted abodes" as eating well, dressing well, and living well to deceive the masses, making people forget class struggle, forget revolution, and forget the fundamental purpose of eliminating classes and realizing communism, so that this gang of traitors can proceed unhindered with the restoration of capitalism. In today's Soviet Union, the socialist economy has long since degenerated into a State monopoly capitalist economy, and the masters of society are no longer the working people, but the bureaucratic monopoly bourgeoisie represented by the Brezhnev traitor clique. The so-called "everything for people" means everything for the bureaucratic monopoly bourgeoisie. They have truly "grown rich": they eat well, dress well, and live well, while the vast working people of the Soviet Union have once again fallen into the abyss of suffering caused by oppression and exploitation.

Grasping Revolution, Promoting Production

The purpose of socialist production is to satisfy the ever-growing needs of the state and the people; to achieve this purpose, it is necessary to develop social production on a large scale, increase labor productivity, and increase total social output. Marx and Engels pointed out in *Manifesto of the Communist Party* that after the proletariat overthrows the rule of the bourgeoisie, it will use its political rule to expropriate the capitalists and concentrate all the means of production in its own hands, "**to increase the total of productive forces as rapidly as possible.**"[1] Lenin also pointed out in the early days after the establishment of Soviet power:

[1] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists," in *Manifesto of the Communist Party.*

"**Only by increasing production and raising labor productivity will Soviet Russia be in a state to win.**"[1]

Then, how can we increase labor productivity and develop social production?

Modern revisionists reduce the development of production solely to improvements in science and technology and the means of production, attempting fundamentally to deny the Marxist universal truth that the productive forces can be protected and developed only under certain relations of production. This reactionary "theory of the productive force determinism" fundamentally distorts the history of human society.

Marxism holds that raising labor productivity and developing social production require the adoption of new science and technology and new means of production. This is undoubtedly important, but it is by no means the primary condition. Chairman Mao pointed out: "**The social and economic features of China will not be completely changed until the socialist transformation of the social and economic system is completely accomplished and, in the technical field, machinery is used in all possible branches and places.**"[2] Chairman Mao also pointed out: "**Class struggle, production struggle, and scientific experimentation are the three great revolutionary movements for building a powerful socialist country.**"[3] It is extremely erroneous to discuss the development of technology while setting aside the establishment, consolidation, and improvement of socialist relations of production, as well as the transformation of the superstructure that does not suit the socialist economic base; or to discuss production struggle and scientific experimentation while divorcing them from class struggle. Although science and technology and the means of production are very important, they can become actual productive forces only when they are created by workers and mastered and used by workers. Although changes and development in production always begin with changes and development in the productive forces, first and foremost with changes and development in the means of production, this relationship between human beings and nature is inseparably

---

[1] Vladimir Ilyich Lenin, "Eighth All-Russia Congress of Soviets, Part II, Report On The Work Of The Council Of People's Commissars December 22," in *Lenin's Collected Works*, Vol. 31, (Progress Publishers, Moscow, 1965).

[2] Mao Zedong, "Co-operative Transformation of Agriculture," in *Selected Works of Mao Zedong*, Vol. V, 203.

[3] "On Khrushchev's Phony Communism and Its Historical Lessons for the World — The Ninth Comment on the Open Letter of the Central Committee of the CPSU," *People's Daily*, July 14, 1964.

connected with the definite relations of production that people form in the course of their productive activities. Changes in the relations of production are brought about by a certain development of the productive forces; however, a certain development of the productive forces is in turn promoted by certain relations of production. In particular, the great development of the productive forces always occurs after a great transformation of the relations of production. This is an undeniable historical fact.

In old China, under the rule of imperialism, feudalism, and bureaucratic capitalism, the landlord class and the comprador class represented China's most backward and reactionary relations of production. These relations of production seriously impeded the development of the productive forces: apart from the Northeast, annual steel production amounted to only a few hundred thousand tons; there was virtually no machine-building industry, and certainly no automobile manufacturing industry or aircraft manufacturing industry. It was only after the foundation of the People's Republic of China that imperialist ownership, bureaucratic capitalist ownership, and feudal ownership were gradually eliminated, national capitalist ownership and individual ownership were gradually transformed, and socialist relations of production were basically established. Only then did our social productive forces begin to develop rapidly, at a speed never seen in the old society.

After socialist relations of production have been established, is it still necessary to continue adjusting and transforming them as the productive forces develop? Bourgeois elements within the Party such as Liu Shaoqi, Lin Biao, and Deng Xiaoping opposed continued revolution under the dictatorship of the proletariat, insisting that there is no longer any issue of transforming the relations of production. They absurdly claimed that, after the socialist transformation of ownership of the means of production have been basically completed, the principal contradiction within the country is no longer the contradiction between the proletariat and the bourgeoisie, but rather the "contradiction between the advanced socialism and the backward social productive forces"; there is no need to continue transforming the relations of production and the superstructure—one only had to concentrate on developing the productive forces. Deng Xiaoping put it even more bluntly: "As long as production can be increased, individual farming is acceptable; whether the cat is white or black, any cat that catches mice is a good cat." These

bizarre claims have been criticized during the Great Proletarian Cultural Revolution. Deng Xiaoping declared that he would "repent and reform" and "never reverse the verdicts again." Yet as soon as he resumed work and gained control over part of the power, he took the lead in vigorously promoting the right-deviationist tendency to reverse verdicts. "**It is still the 'white cat and black cat' theory, no matter whether it is imperialism or Marxism.**"[1] The article "On the General Programme for All Work of the Whole Party and the Whole Country" brazenly peddles the revisionist program of "three instructions as the key link," advocates "the theory of the productive force determinism" and "the theory of the extinction of class struggle," openly denies class struggle as the key link, opposes the Party's basic program, tampered with the Party's basic line, and denies that the principal target of the socialist revolution is the bourgeoisie within the Party. It is Deng Xiaoping's political manifesto for the restoration of capitalism. The theory of the productive force determinism under socialism advocated by Liu Shaoqi, Lin Biao, and Deng Xiaoping is a replica of the theory of the productive force determinism under socialism advocated in the Soviet Union by Trotsky, Bukharin, Voznesensky, and their associates. Around 1920, exploiting the Soviet people's urgent desire to restore the national economy, Trotsky proposed that "everything should be measured by economic criteria," that a so-called "production atmosphere" should be created, and attacked Lenin, saying: "We are concerned with increasing production, whereas you are concerned only with formal democracy"—that is, with viewing the issue "politically." Bukharin, meanwhile, cloaked himself in the guise of the "Buffer faction" and absurdly claimed: "Neither political factors nor economic factors can be discarded"; "viewing issues politically and viewing issues economically are of equal value," passing off eclecticism as dialectics. At the time, Lenin profoundly exposed and criticized the errors of Trotsky and Bukharin. Lenin pointed out: "**Politics must take precedence over economics. To argue otherwise is to forget the ABC of Marxism.**" Lenin also sharply pointed out that, "**unless it is admitted and corrected, leads to the collapse of the dictatorship of the proletariat.**"[2] In 1931, just as agricultural collectivization in the Soviet Union had begun to

---

[1] "Oppose the Right-Deviationist Reversal-of-Verdicts, Promote Industrial Production," *People's Daily*, March 28, 1976.

[2] Vladimir Ilyich Lenin, "Once Again on the Trade Unions, the Current Situation and the Mistakes of Trotsky and Bukharin," in *Lenin's Collected Works*, Vol. 32 (Moscow: Progress Publishers, 1965)

achieve victory, Voznesensky emerged again and published "Problems of Socialist Economy," stating:

"The content of the entire heroic and tenacious struggle waged by the proletariat and its party during the transitional period" is to resolve "the contradiction between the advanced socialist relations of production and the relatively backward productive forces"; hence, the principal task going forward is to "raise the level of development of the productive forces." What Voznesensky advocated was precisely a theoretically embellished version of "the theory of the productive force determinism"—a revisionist fallacy that Lenin had long since harshly refuted and that is completely anti-Marxist.

Marxism holds that even after socialist relations of production have been established, there remains the task of continually adjusting or transforming the relations of production; the development of the productive forces must still be guided by proletarian politics and advanced through revolution. This is because:

First, after socialist relations of production have been established, they are, in basic terms, compatible with the requirements of the development of the productive forces, but they are also still far from perfect. These imperfections are in contradiction with the development of the productive forces. Only by adjusting the imperfect aspects of the relations of production in a timely manner can the development of the productive forces be better protected and advanced.

Second, as the productive forces continue to develop, the relations of production will also come into contradiction with the further development of the productive forces. When certain parts of the relations of production have become unsuitable for the development of the productive forces, they must likewise be changed at the appropriate time so that they meet the requirements of the further development of the productive forces. The modern revisionists' preaching of the so-called contradiction between advanced socialist relations of production and relatively backward productive forces is entirely nonsensical. Its purpose is to try to divert attention, induce people to bury themselves in production without looking up to see the way forward, and abandon continued revolution under the dictatorship of the proletariat, so that they can freely restore capitalism. In a class society, relations of production are, ultimately, class relations. In socialist society, for the proletariat and working people to ensure the continuous

development of the productive forces, they must be adept at preserving the socialist relations of production that have already been established, while adjusting or changing in a timely manner those parts of the relations of production that have become incompatible with the development of the productive forces; adjusting or changing the relations of production also means strengthening and developing the communist elements within them and restricting bourgeois right within them, and therefore also means adjusting or changing class relations—that is, realizing through a series of steps the abolition of all classes and class differences. "**Every economic struggle necessarily becomes a political struggle.**"[1] Adjustments and transformations of the relations of production will inevitably provoke the resistance and sabotage of all new and old bourgeois elements both within and outside the Party, giving rise to the struggle between the proletariat and the bourgeoisie. "**Every class struggle is a political struggle.**"[2] "**The fundamental economic interests of the proletariat can be satisfied only by a political revolution that will replace the dictatorship of the bourgeoisie by the dictatorship of the proletariat.**"[3] To achieve its objectives, the proletariat must uphold the dictatorship of the proletariat in every sphere and at every stage of revolutionary development, and continually carry the continue the revolution under the dictatorship of the proletariat through to the end. Otherwise, socialist relations of production can neither consolidate themselves nor adjust or transform themselves, and the productive forces will likewise be unable to develop rapidly.

The socialist ideology guided by Marxism plays a tremendous role in consolidating the socialist economic base and promoting the development of the productive forces. "**Theory also becomes a material force as soon as it has gripped the masses.**"[4] Only by carrying out the socialist revolution on the political, ideological, and economic fronts under the guidance of the Party's correct line; strengthening the all-round dictatorship over the bourgeoisie; continuously consolidating and developing socialist relations of production; restricting bourgeois right;

---

[1] Vladimir Ilyich Lenin, "Our Programme, Articles for 'Rabochaya Gazeta,'" in *Lenin's Collected Works*, Vol. 4, (Progress Publishers, Moscow, 1964).

[2] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party.*

[3] Vladimir Ilyich Lenin, "II The Spontaneity of the Masses and the Consciousness of the Social-Democrats," in *Lenin's Collected Works*, Vol. 5, (Foreign Languages Publishing House, Moscow, 1961).

[4] Karl Marx, "Introduction," in *Marx's Critique of Hegel's Philosophy of Right,* ed. Joseph O'Malley, (Cambridge University Press, 1970.)

criticizing bourgeois right ideology; continuously raising the people's consciousness of class struggle and line struggle; and constantly mobilizing their enthusiasm to be masters of the country in socialist revolution and construction, can we promote the further development of the productive forces. This has been proved by the history of the international communist movement, by the history of more than twenty years of socialist revolution and socialist construction in our country, and especially by the history of our country since the Great Proletarian Cultural Revolution.

The Great Proletarian Cultural Revolution is a powerful force driving the development of our country's social productive forces. Through the Great Proletarian Cultural Revolution, our country's industrial and agricultural production have entered a new phase of rapid growth. In 1970, the Third Five-Year Plan for the Development of the National Economy, which began in 1966, was successfully completed. Compared with 1965, in 1970 industrial gross output value increased by 73.7%, while agricultural gross output value increased by 21.4%.

The history of the Shanghai Tool Factory's "three rises and two falls" demonstrates from both positive and negative perspectives that only by grasping revolution can production be promoted. The factory was originally a textile machinery parts repair factory established with bureaucratic capital. After liberation, when the state took it over, it had only more than twenty workers and more than twenty obsolete pieces of equipment. Following reorganization and expansion in 1950, it was assigned specifically to mass-produce the commonly used cutting tools required by the machinery industry. Freed from the enslavement of bureaucratic capital, the workers, filled with a strong sense of having risen to power, labored with the attitude of being masters of the country. In 1954, labor productivity was seven and a half times higher than in 1950. They also opened up a path of producing cutting tools and other tools through self-reliance, ushering in the first production upsurge in the factory's history. However, just at this time, a gust of the evil wind of Liu Shaoqi's revisionist line blew in. The factory vigorously implemented a rigid one-man management system, vigorously promoted "material incentives," and vigorously imposed the so-called standardized management system of "control, restriction, and suppression." As a result, the enterprise became lifeless, and the workers' socialist enthusiasm was suppressed. Labor productivity in 1956 was 30% lower than in 1953, producing the first downturn at the factory since liberation. During the revolutionary tide of the Great Leap Forward that began in 1958, the factory's broad masses of workers responded to Chairman Mao's call, thoroughly repudiated bourgeois right ideology, and thoroughly rejected the revisionists' set of restrictive rules and regulations, putting forward the resounding slogan: "Put politics in command, not money." As a result, technical innovations emerged continuously, production rose sharply, and output in 1960 increased sevenfold compared with 1957, ushering in another production upsurge at the factory. However, in 1961, another gust of the evil wind promoting Liu Shaoqi's revisionist line arose. Under its influence, except that the piece-wage system was not restored because of the workers' strong

> opposition, all the other revisionist rules and regulations were reinstated. The rules and regulations alone amounted to seventy-two volumes containing more than 3,000 items. As a result, the total production from 1962 to 1964, over three years, did not equal the level of a single year, 1960. The excellent production situation was seriously undermined, and a second downturn appeared. During the Great Proletarian Cultural Revolution, the workers have break free once again from the suppression of the revisionist line, gaining spiritual liberation once again and giving full play to their socialist enthusiasm and creativity. In 1970, the factory achieved the battle objective of "ten thousand knives per person." That year's total output increased by nearly twofold compared with 1965, while the number of varieties increased by more than onefold, ushering in a third production upsurge.

Practice has shown that the great development of the social productive forces always occurs after, rather than before, the transformation of outdated and backward relations of production and the superstructure. The transformation of the relations of production and the superstructure is social revolution. "**Revolutions are the locomotives of history.**"[1] It is precisely this locomotive that drives the train of history rolling forward and propels the continuous development of social production.

The history of the development of socialist production has always been the history of putting proletarian politics in command of the economy, of grasping revolution and promoting production. In a socialist enterprise, there has always been the question of whether leadership is in the hands of true Marxists and workers, poor and lower-middle peasants; there has always been the question of which line to implement; and there has always been the question of promptly adjusting the relations of production and the superstructure. Therefore, for a socialist enterprise to develop production, it must put proletarian politics in command of production. If, as modern revisionists at home and abroad advocate, one focuses only on production and not on revolution, one will lose direction and take the wrong path; it will then be impossible to mobilize the enthusiasm and initiative of the broad masses to develop socialist production, and one will follow the Soviet Union's old road of "satellites rise into the heavens, red flag falls to the ground." Modern revisionists preach the theory of the productive force determinism, constantly obliterating the class nature of the relations of production and thereby obliterating class contradictions and class struggle, in a vain attempt to achieve the reactionary goal of negating

---

[1] Karl Marx, "Part III Consequences of June 13, 1849," in *The Class Struggles in France, 1848 to 1850*, *Max Engels Selected Work*s, Vol. 1.

proletarian politics' command of the economy. This view is the foundation of the theory of the extinction of class struggle and a fallacy serving bourgeois politics. We must clearly distinguish ourselves from this view and unswervingly implement the policy of "**grasping revolution, promoting production**" put forward by Chairman Mao. This policy has proved effective and must be upheld. It correctly addressed the dialectical relationship between revolution and production, between the spiritual and the material, between superstructure and economic base, and between relations of production and productive forces, thereby ensuring the rapid development of socialist production in our country.

Main Content of the Basic Economic Law of Socialism

Having clarified the two questions of the objective purpose of socialist production and how to develop socialist production, we can proceed to examine the basic economic law of socialism.

What is referred to as a basic economic law always comprises two aspects: the purpose of social production and the means of achieving that purpose. It determines the four principal links —production, exchange, distribution, and consumption—that together constitute the whole of social economic life, as well as all the major aspects and processes of social production.

The purpose of socialist production is to meet the ever-growing needs of the state and the people. The means of achieving this purpose is to promote the development of technology and production by carrying out revolution. In summary, therefore, the basic economic law of socialism contains the following principal elements: promptly adjusting or transforming the relations of production and the superstructure, continuously raising the level of technology, developing socialist production with greater, faster, better, and more economical results, meeting the ever-growing needs of the state and the people, and creating the material conditions for the ultimate abolition of classes and the realization of communism.

The basic economic law of socialism determines all the major aspects of socialist economic development and the basic content of socialist production, exchange, distribution, and consumption.

From the standpoint of production, in a socialist society, what is produced, how much is produced, and how production is distributed geographically must all conform to the requirements of this law. When formulating plans, the socialist state arranges the types and quantities of products and the distribution of production in accordance with the requirements of the basic economic law of socialism, so that the development of socialist production helps consolidate the dictatorship of the proletariat, strengthen war preparedness and consolidate national defense, support the revolutionary struggles of the peoples of the world, and continuously raise the material and cultural standard of living of the working people.

Socialist exchange must likewise first and foremost comply with the requirements of the basic economic law of socialism. When determining the proportions between exports and domestic sales, military and civilian use, and supplies to rural and urban areas, as well as the prices of various commodities, the socialist state must not first consider how much can be sold or how much profit can be made; instead, it must first consider what will benefit the development of socialist production and the consolidation of the worker-peasant alliance, help improve the standard of living of the working people, strengthen national defense, promote proletarian internationalist solidarity with the socialist fraternal countries, support nationally independent countries, and so on.

With regard to distribution, whether the distribution of national income or that of personal consumer goods, both are governed by the basic economic law of socialism. When determining the proportion between accumulation and consumption and setting wage levels, a socialist state must make overall and appropriate arrangements that take into account the long-term and immediate interests of the proletariat and all working people, as well as collective and individual interests, thereby fully reflecting the requirements of the basic economic law of socialism. Likewise, in addressing consumption in socialist society, whether organizing consumption by social groups or individual consumption, it is necessary to meet the needs of improving the lives of working people, while also helping to revolutionize people's thinking, promote the new customs of the proletariat, consolidate the dictatorship of the proletariat, and accelerate socialist construction.

In short, the basic economic law of socialism embodies the most essential connections among socialist production, exchange, distribution, and consumption, and determines the fundamental direction of socialist economic development. Correctly understanding and applying the basic economic law of socialism enables us to enhance our consciousness in our work, overcome blindness, and stride forward along the correct path of socialism.

Section Three: Building Socialism With Greater, Faster, Better, and More Economical Results

Possibility and Reality of Developing Socialist Production at a High Speed

The purpose of socialist production is to meet the ever-growing needs of the state and the people, and the extent to which these needs are met is closely linked to the pace of production development. The consolidation of national defense in socialist states, the development of social, cultural, educational, and health services, the improvement of the people's material and cultural lives, and support for the revolutionary cause of the peoples of the world all require the rapid development of socialist production. In the countries where the socialist revolution first achieved victory, the industrial foundation was often relatively weak, making the rapid development of socialist production all the more urgent.

Under socialism, the rapid development of production is not only necessary but also possible. Chairman Mao pointed out: "**In saying that the socialist relations of production correspond better to the character of the productive forces than did the old relations of production, we mean that they allow the productive forces to develop at a speed unattainable in the old society, so that production can expand steadily and increasingly meet the constantly growing needs of the people.**"[1]

Therefore, the rapid development of socialist production is not merely a desire but also an inevitable trend following the establishment of socialist relations of production and an expression of the superiority of socialism.

Socialist relations of production promote the rapid development of social production and the national economy as a whole in the following ways. First, socialism provides tremendous opportunities for the productive initiative and creativity of the working masses to be brought into full play. Capitalism has damaged, suppressed, and stifled the inexhaustible creative abilities latent among the working masses. Socialism has brought about a fundamental change in the

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 393.

social status of the working masses. The working masses no longer perform backbreaking labor for landlords and capitalists; instead, they labor for their own class, and labor has become an honorable and magnificent undertaking. All this has created the conditions for the working masses to give full play to their inexhaustible wisdom and talents.

Second, "**socialism has not only liberated the working people and freed the means of production from the shackles of the old society but has also released the boundless resources of nature which the old society could not exploit.**"[1] Socialism has fundamentally eliminated the enormous waste of human, material, and financial resources that inevitably arose under capitalism as a result of competition and unplanned production.[2] A socialist state can utilize equipment and natural resources in a planned and rational manner, and train and employ labor power in a planned and rational manner, thereby ensuring the full and rational utilization of labor resources and material resources. Consequently, the rate of development of socialist production can greatly exceed that of capitalism.

Third, the socialist revolution overthrew the old society's system of exploitation. The portion of wealth that, under the old system, was necessarily used by landlords and capitalists for parasitic consumption in social production can now be used to improve the lives of the people and as funds for extended reproduction, thereby providing favorable conditions for the expansion and rapid development of production. For example, before liberation, Chinese peasants paid landlords approximately 60 billion jin (30 million metric tons) of grain in rent each year. After liberation, these social products can be used to develop collective production and improve the peasants' lives. The same is true of industry and commerce.

Fourth, socialism has opened up broad avenues for the rapid development of technology. Under capitalism, capitalists seek to adopt new technologies in order to extract more surplus value. Only within this limit are they interested in developing new technologies. The scope for accommodating new technologies under capitalism is far narrower than under socialism. When a

---

[1] Mao Zedong, "Editor's Notes From Socialist Upsurge in China's Countryside," in *Selected Works of Mao Zedong*, Vol. V, 269.

[2] Note from translator: The literal translation of the original text is "competition and anarchy of production." Although I am not an anarchist, I do not think it is fair or necessary to use the word "anarchy" in this specific context. I also believe "competition and unplanned production" also more accurately reflects the essence of the message better.

new technology cannot bring capitalists more surplus value, it will not be adopted. At the same time, capitalists monopolize the technical innovations already achieved in their enterprises as "trade secrets," while bourgeois states use forms such as "patent rights" to provide legal protection for this monopoly over new technologies, thereby artificially obstructing technological progress and the development of the productive forces. Under socialism, new technologies are adopted in order to reduce labor consumption in production, create more wealth for society, reduce the labor intensity of the working masses, and improve working conditions. Consequently, the development of technology becomes a conscious demand of the working masses, enabling technical innovation to overcome the limitations imposed by capitalism. In socialist society, the advanced experience of any socialist enterprise in production methods and technical innovation is the wealth of the working people and should not be treated as a "trade secret" or protected by "patent rights." After being summarized and disseminated, this advanced experience can quickly be applied in other enterprises. All of this can greatly accelerate the pace of production development under socialism.

Fifth, socialism eliminates the antagonistic contradiction unique to capitalism between the growth of production and the relative contraction of the purchasing power of the working masses. The purpose of socialist production is to meet the ever-growing needs of the socialist state and its people. As production grows, the scale of economic construction, national defense construction, social, cultural, educational, and health services, and support for the world revolution will correspondingly expand; the consumption level of the working masses will also gradually rise, and there will never be an economic crisis of overproduction of the kind found under capitalism. Therefore, when the capitalist world was struck by an economic crisis and production declined sharply, socialist production in our country continued to develop vigorously, demonstrating the superiority of socialism.

In short, socialist relations of production ensure that the roles of people and material factors in the productive forces are brought fully into play. The rapid development of social production and the national economy as a whole is an objective law of socialist production.

The development of socialist production and the national economy as a whole is rapid, while also advancing in a wave-like manner and rising in a spiral. In real life, economic

development is inevitably constrained and influenced by various objective and subjective conditions, so its pace cannot possibly be the same every year. This is the wave-like advance in the course of development. It is fundamentally different from the interweaving of economic stagnation, regression, and production growth caused by the economic crises that occur under capitalism.

General Line For Socialist Construction

Socialism provides the objective possibility for the rapid development of production and the national economy as a whole. However, to turn this possibility into reality, it is first necessary to have a Marxist line that correctly reflects objective laws. When the line is correct, socialism can be consolidated and developed, and thus the superiority of the rapid development of social production can be brought fully into play; if the line is wrong, or if the correct line is disrupted by the revisionist line, the development of social production will inevitably be obstructed and undermined. Chairman Mao summed up the historical experience of socialist construction, formulated the basic line for the entire socialist historical stage for our Party, and, under the guidance of this basic line, formulated the General line for socialist construction for our Party: "**Go all out, aim high, and build socialism with greater, faster, better, and more economical results.**" The general line for socialist construction is a Marxist line that takes class struggle as the key link, fully brings people's subjective initiative into play, makes full use of the superiority of socialism, and builds socialism more, faster, better, and more economically.

The general line for socialist construction—"go all out, aim high, and build socialism with greater, faster, better, and more economical results"—requires that, in socialist construction, "greater and faster" be unified with "better and more economical." "Greater" refers to the requirement for product quantity, "faster" to the requirement concerning time, "better" to the requirement for quality, and "more economical" to the requirement to economize on labor expenditure. These aspects of achieving greater, faster, better, and more economical results promote and constrain one another. To pursue only better and more economical results without greater and faster results would mean producing only a tiny amount at an excruciatingly slow

pace, which would of course be unsatisfactory; to pursue only greater and faster results without better and more economical results would lead to poor quality, high costs, and excessive capital requirements, and would likewise be unacceptable, because in the long run and from the perspective of the overall situation, the result could never be greater and faster, but only less and slower. The general line for socialist construction—"go all out, aim high, and build socialism with greater, faster, better, and more economical results"—correctly reflects the objective requirements of the basic economic law of socialism, the law of planned proportional development of the national economy, and the law of the rapid development of socialist production; it also correctly reflects the revolutionary will of the entire people to rapidly transform the backward state of being "poor and blank."

The general line for socialist construction—"go all out, aim high, and build socialism with greater, faster, better, and more economical results"—emphasized putting proletarian politics in command and combining Party leadership with the broad masses of the people, thereby representing a new development of the Party's mass line.

"**Together with the thoroughness of the historical action, the size of the mass whose action it is will therefore increase.**"[1] Marxism-Leninism has always criticized the fallacy that heroes create history and has consistently upheld the truth that the working masses create history. Chairman Mao stated with exceptional concision: "**The people, and the people alone, are the motive force of world history.**"[2] "**Often the level of subordinates is higher than that of superiors, the masses are higher than the leaders, and leaders are inferior to ordinary workers, because they are divorced from the masses and have no practical experience.**"[3] Chairman Mao also repeatedly taught us that seizing political power requires relying on the masses, and socialist construction likewise requires relying on the masses. The practice of socialist construction in China over more than twenty years has fully proved this point. The bourgeoisie within the Party—whether Liu Shaoqi, Lin Biao, or Deng Xiaoping—are all loyal

---

[1] Karl Marx, "Chapter 6: Absolute Critical Criticism, or Critical Criticism as Herr Bruno," in *The Holy Family* (Foreign Languages Publishing House, 1956).

[2] Mao Zedong, "On Coalition Government," in *Selected Works of Mao Zedong*, Vol. III, 257.

[3] "Quote From Chairman Mao," *People's Daily*, May 29, 1976.

followers of Confucius. Standing on the reactionary position of the landlords and the bourgeoisie, they did everything possible to slander the people. Lin Biao shamelessly boasted that his "head was well formed, unlike other people's, and especially clever," and that it was "neither the brain of an ordinary peasant nor the brain of an ordinary worker," desperately peddling Confucius's fallacy that "only the highest wisdom and the lowest stupidity remain unchanging." Deng Xiaoping, for his part, vigorously spreads the claim that "relying on workers, peasants, and soldiers is relative," and does everything possible to support the capitalist-roaders who refuse to reform, seeking to "raise" bourgeois "experts" and "authorities" who are "capable and knowledgeable" to leadership positions so that they could usurp power over the proletariat. This fully exposes the fact that the bourgeoisie within the Party is the mortal enemy of the people. Countless examples throughout history have proved that "**the lowly are the most intelligent and the elite the most ignorant.**"[1] In socialist construction, only by fully trusting the masses, relying on the masses, respecting their pioneering spirit, mobilizing every positive factor, uniting everyone who can possibly be united, and transforming negative factors into positive ones as far as possible, can we successfully carry out the socialist revolution on the political, economic, ideological, and cultural fronts, and only then can we develop socialist production and scientific, cultural, and educational undertakings in greater quantity, at greater speed, with better quality, and at lower cost.

"**Go all out, aim high**"—these two slogans concern people's mental state and subjective initiative; they call for correctly handling and adjusting the mutual relations among people in production and fully mobilizing the enthusiasm of the broad masses. This is the foremost condition for building socialism with greater quantity, speed, quality, and economy.

People are the most important factor among the productive forces. The superiority of socialism can be brought into play only through human activity. The general line for socialist construction places great emphasis on the role of the revolutionary drive of the masses in socialist construction. It calls for fully mobilizing the initiative and enthusiasm of the broad masses of workers, peasants, and soldiers, revolutionary cadres, and revolutionary intellectuals,

---

[1] Mao Zedong, "Speech At The Conference Of Heads Of Delegations To The Second Session Of The 8th Party Congress."

so that they dare to think, speak, and act, and strive to accomplish those things that can be achieved through effort. To achieve greater, faster, better, and more economical results while avoiding lower, slower, poorer, and more wasteful results, the key lies in having tremendous drive. Procrastination and hesitation—thinking that this is impossible and that cannot be done—reflect the worldview of cowards and idlers, which runs directly counter to the requirements of the general line for socialist construction.

On the question of how to mobilize the masses' enthusiasm, modern revisionists always regard material incentives and the bourgeois ideology that "money can make the devil turn the millstone"[1] as immutable truths for all ages. Their utterly filthy bourgeois souls stand in complete opposition to the lofty spirit of the workers and poor and lower-middle peasants, who work and farm for the revolution. By advocating material incentives, they seek to poison the masses with bourgeois ideology in order to achieve their criminal goal of restoring capitalism. Marxists have always held that the fundamental way to mobilize the masses' enthusiasm is to put proletarian politics in command and follow the mass line.

Chairman Mao explicitly pointed out: "**Society's wealth is created by workers, peasants and working intellectuals. Provided they take their destiny into their own hands, provided they have a Marxist-Leninist line and energetically tackle problems instead of evading them, they can overcome any difficulty on earth.**"[2] Once the broad revolutionary masses have mastered the Party's Marxist line, they will certainly unleash tremendous revolutionary drive, transform it into immense material force, and create miracles in the human world.

In the course of formulating the general line, Chairman Mao also put forward a complete set of guidelines, policies, and methods for implementing it. These have played a major role in organizing the broad masses and cadres to overcome difficulties and achieve victory in the socialist revolution and socialist construction. Chairman Mao's set of policies for walking on two legs—including making agriculture the foundation and industry the leading force, giving full

---

[1] Note from translator: "Money can make the devil turn the millstone" is a Chinese proverb, which means money makes the world go around.

[2] Mao Zedong, "Editor's Notes From Socialist Upsurge in China's Countryside," 244.

play to the initiative of both the central and local authorities, making full use of coastal industry, accelerating the construction of inland industry, developing industry and agriculture simultaneously, pursuing indigenous production methods and foreign production methods simultaneously, and developing large-, medium-, and small-scale enterprises simultaneously—is conducive to correctly handling relations among all aspects of socialist construction, fully mobilizing the initiative of every sector, enabling these sectors to promote, complement, and support one another, and helping us avoid and overcome various forms of one-sidedness as far as possible in socialist construction, thereby ensuring the planned, proportionate, and high-speed development of socialist production and the national economy as a whole.

The Great Leap Forward in our Country's National Economy

The general line for socialist construction—exerting every effort, striving for the highest standards, and building socialism with greater, faster, better, and more economical results—greatly promoted the development of socialist construction in China. Under the radiant guidance of the general Line, the people throughout the country were full of revolutionary enthusiasm and high spirits, and the revolutionary spirit of daring to think, speak, and act reached unprecedented heights. The wave of socialist competition—comparing oneself with advanced models, learning from them, catching up with them, and helping those who lagged behind—rose higher and higher. The national economy in China entered a vigorous phase of the Great Leap Forward.

When explaining the meaning of the Great Leap Forward, Chairman Mao said: "**We cannot follow the old path taken by countries around the world in technological development, crawling along step by step behind others. We must break with convention, adopt advanced technology as much as possible, and, within a relatively short historical period, turn our country into a powerful modern socialist nation. This is what we mean by the Great Leap Forward.**"[1]

The Great Leap Forward embodied the proletarian revolutionary spirit and glorious tradition of "**Independence and self-reliance**" and "**Hard struggle**" in the cause of socialist

[1] "Premier Zhou Enlai's Government Work Report," *Hongqi*, no. 1 (1965): 9.

construction. As early as the War of Resistance Against Japan, Chairman Mao gave the following instruction concerning economic construction in the Anti-Japanese base areas: "**We stand for self-reliance. We hope for foreign aid but cannot be dependent on it; we depend on our own efforts, on the creative power of the whole army and the entire people.**"[1] After the Second Session of the Eighth Party Congress adopted the General line for socialist construction, Chairman Mao further pointed out: "**Self-reliance as the mainstay, with foreign aid as a supplement; eliminate superstition; independently undertake industry, agriculture, the technical revolution, and the cultural revolution; overthrow slavish thinking; bury dogmatism; earnestly learn from the good experiences of foreign countries, and also study their bad experiences and draw lessons from them—this is our line.**"[2] This line stands in sharp opposition to the revisionist line of fawning on foreign countries, worshipping everything foreign, surrendering, and betraying the country, represented by Liu Shaoqi, Lin Biao, and Deng Xiaoping. This line has enabled us to overcome the Imperialist blockade and withstand the pressure of social imperialism. Regardless of the fluctuations of the economic crisis sweeping through the capitalist world, our country's economy continued to develop vigorously and soundly. We must uphold this line forever.

Semi-colonial and semi-feudal old China suffered greatly from its lack of economic independence. In old China, not only was the heavy industry sector virtually nonexistent, but light industry was also extremely backward. For a long period, many everyday industrial products were imported from abroad and called "foreign goods." Matches were called "foreign matches," kerosene "foreign oil," square nails "foreign nails," machine-woven cloth "foreign cloth," and shops selling everyday industrial products were called "foreign-goods stores."

Since the founding of the People's Republic of China, we have developed the socialist national economy through independence and self-reliance. On the basis of collectivization, our agriculture is now being mechanized. The variety of light-industry products is becoming increasingly rich and diverse. Our own machinery, metallurgical, chemical, instrument and meter, and electronics industries have all been established and developed in succession. An

---

[1] Mao Zedong, "We Must Learn to Do Economic Work," in *Selected Works of Mao Zedong*, Vol. III, 241.

[2] Zhou Enlai, "Government Work Report," Hongqi, no. 2 (1975): 24.

independent and relatively complete industrial system and national economic system, with agriculture as the foundation and industry as the leading force, is taking shape. On this foundation, we successfully trial-produced atomic and hydrogen bombs. An artificial Earth satellite was launched into space and was able to return to Earth according to a predetermined plan. We are the first in our country to successfully artificially synthesize insulin, making a major contribution to the exploration of the origin of life. We are also the first in our country to successfully trial-produce a double-water-internal-cooled steam turbine generator. We triumphantly developed a controlled thermonuclear reaction experimental device, entering the ranks of the world's advanced countries in exploring the peaceful use of thermonuclear reactions. We successfully drilled an ultra-deep well more than 6,000 meters deep, marking a new level in our petroleum drilling technology. These successive triumphs of independence and self-reliance celebrate the brilliant victories achieved in our country since its founding, particularly since the Great Proletarian Cultural Revolution. Guided by Mao Zedong Thought, the Chinese people used facts as solid as iron to smash the shameless slanders spread by Lin Biao, Deng Xiaoping, and their associates—that the national economy is "stagnating" and that "the present is not as good as the past." With facts as solid as iron, we have proved to the entire world that whatever the Western bourgeoisie can accomplish, the Eastern proletariat can certainly accomplish as well; and whatever the Western bourgeoisie cannot accomplish, the Eastern proletariat can accomplish too.

> It is an objective fact that socialist production has a higher rate of development than capitalist production. In the short twenty-four years from 1949 to 1973, our country's agricultural gross output value increased 1.8-fold, light industry output increased 12.8-fold, and heavy industry output increased 59-fold.

Capitalist society, even during the latter half of the nineteenth century, when the rate of development of capitalist production was relatively rapid, never achieved a rate as high as that of socialist production; after entering the period of monopoly capitalism and the general crisis of capitalism, the rate of extended reproduction under capitalism became even slower.

> Our country's annual steel output increased from 158,000 tons (1949) to 21 million tons (1971) in just twenty-two years. The United States took thirty-three years to complete this growth process, the United Kingdom eighty-six years, Germany forty-six years, and Japan fifty years.
>
> Take the United States, the leading capitalist country with relatively rapid production growth, as an example. Its industrial production increased approximately 3.9-fold over the nearly thirty-year period from 1871 to 1900, but increased only 2.7-fold from 1901 to 1929 and merely 1.7-fold from 1930 to 1959. During the ten years from 1964 to 1974, industrial production in the United States grew by 53%, in the Soviet Union by 1.2 times, in Japan by 1.6 times, and in West Germany by 60%, whereas during the same period industrial production in our country grew by 1.9 times. The industrial production of individual capitalist countries may also develop rapidly during certain periods, but such growth is merely a flash in the pan and cannot be sustained.[1]

Socialist construction in China has achieved brilliant victories, but this certainly does not mean that we can become complacent. China was originally poor and backward, with an extremely weak industrial foundation. Although China has now achieved great victories and has become a initially prosperous and flourishing socialist state, there is still a long way to go and much work to be done before we can build a powerful socialist economy. The Chinese people are realizing through practical action Chairman Mao's solemn declaration: "**The Chinese people have ambition and ability; we will certainly catch up with and surpass the world advanced level in the not-too-distant future.**"[2]

---

[1] Japan's industrial production grew by an average of 14.1% annually during the period from 1951 to 1970. This was mainly the result of Japan's profiting enormously from the wars of aggression against Korea and Vietnam launched by US imperialism, as well as US imperialism's vigorous support for Japanese monopoly capital. During the Korean War from 1950 to 1953, US imperialism paid Japan at least three billion US dollars for "special procurement" orders; even after the Korean War ended, US military orders to Japan never ceased. During the Vietnam War, US payments to Japan for "special procurement" increased further, reaching more than $ 2 billion annually. US imperialism also provided Japanese monopoly capital with substantial loans, made direct investments in Japan's heavy industry, and exported large quantities of technology and patent rights to Japan, among other measures. In addition, Japanese monopoly capital brutally exploited the working people at home and received large subsidies from state budget funds, which also provided a certain stimulus to Japan's relatively rapid industrial development. The low external exchange value of the yen (Japan's currency) helped Japanese goods compete for markets throughout the world and also played a major role in stimulating the development of domestic industry. However, as everyone knows, these factors driving Japan's industrial development were all unreliable and could not last. Beginning in the fourth quarter of 1973, Japan, together with the United States, the United Kingdom, West Germany, and other countries, became engulfed in the economic crisis of the capitalist world. This crisis has already continued for more than two years and has still not recovered to this day. If we look not at individual countries or individual periods, but at the capitalist world as a whole and over a relatively long period of time, then the increasingly sluggish pace of capitalist production remains extremely evident.

[2] *People's Liberation Army Daily*, October 29, 1966.

Chapter Four: Distribution of Social Labor in the Socialist Economy

Section One: Regulatory Role of the Law of Planned Proportional Development

Planned Distribution of Social Labor Associated with the Commodity System

Organizing social production consumes the means of production and labor power. The means of production are materialized labor, while the role of labor power in production is to provide living labor. Taken together, these constitute social labor. Organizing social production therefore involves the distribution of social labor. How much social labor is allocated to agriculture, how much to industry, and how much to other undertakings exists in a certain proportion in every society. This proportion is determined by the objective needs of social production and is independent of people's will. However, the way this proportional relationship is established and the form through which it is realized vary according to differences in ownership. Then, under the conditions of socialist public ownership, how is this proportional relationship established? In what form is social labor distributed?

This is what textbooks on political economy of socialism have traditionally said: in a socialist society, the economy as a whole develops according to plan and in proportion. In other words, the distribution of social labor is carried out according to plan and in proportion, seemingly without any contradictions. Some textbooks even state that, under socialist public ownership, the phenomena of "spontaneity and laissez-faire" in the distribution of social labor can never occur. In the view of the authors of these textbooks, the distribution of social labor in a socialist society seems to be governed solely by the law of planned proportional development;

moreover, people have all become "omniscience," so that, with regard to objectively existing proportional relationships, they do not need any process of cognition at all.

Is the distribution of social labor in a socialist economy really so smooth and free of contradictions?

The great transformation in ownership has caused social production based on socialist public ownership to begin acquiring a directly social character, creating new conditions under which people can consciously make history. Under these conditions, social production has begun to free itself from capitalist competition and the unplanned production, making it possible to distribute social labor according to a plan and in proportion. At this point, the economic law of planned, proportionate development of the national economy emerged (abbreviated as law of planning). This law regulates the distribution of social labor. However, in socialist society, the operation of this law is connected with the commodity system. Socialist society still implements the commodity system, which indicates that the basic law of commodity production and exchange—the law of value—has not withdrawn from the historical stage. Under these circumstances, the distribution of social labor has, on the one hand, begun to be regulated by the law of planning, while on the other hand it is still inevitably subject to the influence of the law of value. "**The fact that the value of a commodity is expressed only in terms of another commodity, and can only be realized in exchange for it, admits of the possibility that the exchange may never take place altogether, or at least may not realize the correct value.**"[1] Although the distribution of social labor under socialism is guided by planning, the actual deployment of social labor may still fail to conform to the proportional relationship required by objective conditions. Consequently, some commodities may be in short supply: buyers make every possible effort, rushing from place to place, yet still cannot purchase them; other commodities, meanwhile, may be oversupplied, resulting in accumulation and even requiring clearance at reduced prices, so that the real value of the commodities cannot be realized. Is this not a situation that occurs every day and every hour? In the movement of the socialist economy, the emergence of such situations means that the law of value may possibly replace the law of planning in regulating the distribution of social labor. If the spontaneous regulatory role of the

[1] Friedrich Engels, "IV. Distribution," in *Anti-Dühring*.

law of value, which may arise in this way, is not restricted under the dictatorship of the proletariat, competition and unplanned production under capitalism will reappear. People may then come to be dominated by things, thereby consciously or unconsciously violating objective proportional relationships and distributing social labor without regard to actual needs. Thus, under socialism, the process of distributing social labor is one of interaction between the law of planning and the law of value. This process is clearly much more complex than what metaphysics imagines. Therefore, in the process of labor distribution, if one sees only the possibility that people may consciously use the law of planning to regulate social labor, while failing to see that the law of value also influences the planned allocation of social labor, the consequences will be serious.

Having gained this relatively comprehensive understanding of the distribution of social labor under socialism, we will now focus first on analyzing the regulatory role of the law of planning.

Regulation of Socialist Production by the Law of Planned Proportional Development

As the contradictions of capitalist society became increasingly acute, especially as capitalism developed from free competition to the Monopoly stage, competition and unplanned of production violently shook the system of capitalist exploitation. Engels once foresaw: "**In the trusts, freedom of competition changes into its very opposite — into monopoly; and the production without any definite plan of capitalistic society capitulates to the production upon a definite plan of the invading socialistic society.**"[1] As monopoly organizations developed, certain tendencies toward planned regulation also emerged. Lenin once analyzed how the "kings of capital" established trusts and, within the scope they could control, were able to regulate production in a planned manner to a certain extent; in some capitalist countries, there are even so-called nationwide economic plans. This new stage of capitalist development shows that

[1] Frederick Engels, "III [Historical Materialism]," in *Socialism: Utopian and Scientific, Marx Engels Selected Works*, Vol. 3, (Progress Publishers, 1970).

the planned and proportional distribution of labor has already become an objective requirement of socialized large-scale production.

However, under capitalism, it is impossible to regulate social production as a whole through planning; comprehensive planning of social production as a whole has never existed and cannot exist. After capitalism develops into the stage of imperialism, monopoly capitalism or the state monopoly capitalist economy undergoes malignant development. Although planning within a large monopoly organization is strengthened to some extent, such organizations are still based on private ownership of the means of production. What to produce and how much to produce are ultimately governed by the principle of pursuing the maximum profit, and social production as a whole remains inevitably caught in a state of blind competition. Although they have economic plans of one kind or another, they cannot achieve comprehensive planning of social production, still less could they change the capitalist nature of social production. The "National Socialism" of Hitler's Germany in the past and Brezhnev's "Developed socialism" today both included certain plans, but these are plans of the monopoly capitalist economy. This so-called planning is nothing more than a tool of the dictatorship of the monopoly bourgeoisie.

To conceal the evils of monopoly capitalism, the monopoly bourgeoisie and the old and new revisionists repeatedly seize upon certain phenomena of planning in production that have emerged under monopoly capitalism, insisting that the economy of social imperialism is a "socialist economy," while the economy of capitalist imperialism is an economy of "organized capitalism" and "planned capitalism," thereby denying the socialist revolution undertaken by the proletariat to overthrow the monopoly capitalism. In fact, Lenin had already criticized this fallacy. Lenin pointed out: "**The trusts, of course, never provided, do not now provide, and cannot provide complete planning. But however much they do plan, however much the capitalist magnates calculate in advance the volume of production on a national and even on an international scale, and however much they systematically regulate it, we still remain under capitalism--at its new stage, it is true, but still capitalism, without a doubt. The 'proximity' of such capitalism to socialism should serve genuine representatives of the proletariat as an argument proving the proximity, facility, feasibility, and urgency of the socialist revolution, and not at all as an argument for tolerating the repudiation of such a**

revolution and the efforts to make capitalism look more attractive, something which all reformists are trying to do."[1]

Decades have passed since Lenin made the above criticism. During these decades, the capitalist world has experienced multiple severe economic crises. Beginning at the end of 1973, the Western capitalist countries were once again struck by the most severe economic crisis since the Great Depression of the 1930s. Industrial production in all the major capitalist countries fell sharply, the entire national economy was in chaos, and planned development was utterly impossible. In the face of Marxism's scientific analysis and the economic realities of capitalism, the lies of the bourgeoisie and the revisionists have completely collapsed.

Today, nothing is more deceptive than the so-called planned economy of Soviet revisionism. On the surface, the economy of Soviet revisionist social imperialism appears more planned than that of capitalist imperialism: the state monopolizes all sectors of production, and each has long-term plans and short-term plans. However, because the plans of Soviet revisionism fundamentally violate the socialist purpose of production and are plans that pursue profit as the purpose of production, they must inevitably rely on putting profit in command (that is, on the law of value) to regulate economic life. In essence, this makes them the same as the economy of capitalist imperialism. In order to compete for profits and bonuses, the various groups within the bureaucratic monopoly bourgeoisie of the Soviet Union engage in fierce competition. Thus, the economic plans on paper are in fact destroyed by competition and unplanned production, plunging the entire national economy into the mire. Like the economies of other imperialist countries, the economy of Soviet revisionist social imperialism is beset by crises and engulfed in chaos.

> At the Twenty-Fourth Congress, the Soviet revisionists put forward a supposedly "grand program for improving the people's welfare" intended to deceive and manipulate public opinion, and accordingly formulated the Ninth Five-Year Plan (1971–1975). The Soviet revisionists announced that during the Ninth Five-Year Plan period they would carry out "major structural changes" in the national economy, ensuring that the consumer goods industry would grow faster than the means-of-production industry. Five years have now passed—what was the result? The entire series of major targets of the Ninth Five-Year Plan remained

[1] Vladimir Ilyich Lenin, "Chapter IV: Supplementary Explanations by Engels," in *The State and Revolution*.

> unfulfilled, and the plan was declared a failure; proportional relationships have became even more distorted as a result of monopolistic competition. Consumer goods production not only failed to exceed the growth rate of the means of production, as forecast by the Ninth Five-Year Plan, but instead fell further behind because of the intensified arms race and militarization. The so-called "major structural changes" in the national economy came to nothing, while the "grand program for improving the people's welfare" is nothing more than a fraud. All it brought the Soviet people is an illusory promise that could not satisfy their hunger.

As the domestic crisis of Soviet revisionism intensifies, people increasingly see through the monopolistic-capitalist essence of Soviet revisionism's so-called planned economy. For some time, a number of foreign researchers examining the restoration of capitalism in the Soviet Union had successively analyzed the essence of the Soviet Union's so-called planned economy. In December 1970, the French scholar Charles Bettelheim[1] published an article entitled "More on the Society of Transition" in the U.S. journal *Monthly Review*, in which he pointed out: "Equating 'planning' with socialism can only help the bourgeoisie (especially the bourgeoisie of the Soviet Union) exercise its rule under the guise of 'planning' and, in the name of 'planning,' deprive the exploited classes of all right to speak, thereby further intensifying their exploitation of the broad masses."[2] The long article "How Capitalism has been Restored in the Soviet Union and What This Means for the World Struggle," published in the seventh issue of *Red Papers*, issued in the United States in October 1974, stated: "ln fact; the kind of 'planned' state capitalism which characterizes the Soviet economy today is a higher stage of capitalist development than pure competition on the market." "the Soviet economy can be compared in many ways with that of Nazi Germany." "Because the Soviet Union is a state-capitalist society, the effects of capitalist anarch can be ameliorated to some degree through the working out of the central state plan: This plan is designed to balance out the needs of different industries, guaranteeing a 'fair' profit to each, But the plan cannot resolve the contradictions of the system, and in fact these

---

[1] Note from translator: Charles Bettelheim was a French Marxian economist and historian who extensively studied the political economy of China during the Great Proletarian Cultural Revolution. His book, *Cultural Revolution and Industrial Organization in China,* is a great source on how management and division of labor in China was like during the Great Proletarian Cultural Revolution.

[2] Note from translator: The article is behind paywall.

contradictions are no doubt expressed in vicious in-fighting when the plan is drawn up."[1] The planned economy of Soviet revisionism demonstrates that this bureaucratic-monopoly plan is the economic expression of the dictatorship of the bureaucratic monopoly bourgeoisie.

The planned and proportional distribution of social labor, although it has already been placed on the agenda under capitalism, cannot be realized under capitalist conditions. Only in a socialist state under the dictatorship of the proletariat, where socialist public ownership has been established, does the planned and proportional distribution of social labor emerge as a law. This is because socialist public ownership of the means of production eliminates the antagonism of interests among the various sectors of production and enterprises—an antagonism that capitalism cannot overcome—thereby giving production a directly social character. The socialist state can organize the labor power and means of production of the entire society in a unified manner and use planning to guide the coordinated and proportional development of all sectors of the national economy. Engels foresaw this long ago: "**With this recognition, at last, of the real nature of the productive forces of today, the social anarchy of production gives place to a social regulation of production upon a definite plan, according to the needs of the community and of each individual.**"[2]

Thus, on the basis of socialist public ownership, the law of the planned and proportional development of the national economy begins to operate as an entirely new economic law. The law of the planned and proportional development of the national economy replaces the law of competition and unplanned production; this is an extremely important aspect of the superiority of socialism.

The emergence of the law of planned proportional development marks the beginning of humanity's conscious creation of its own history. In the capitalist society of competition and unplanned production, it is not people who rule things, but things that rule people: workers cannot control their own destinies, and capitalists likewise cannot escape the blind domination of objective economic laws that operate behind people's backs. In socialist society, public

---

[1] "III. The Soviet Economy Under Brezhnev and Kosygin: The Full Establishment of Capitalist Relations of Production," *Red Papers,* No. 7 (1974).

[2] Frederick Engels, "III [Historical Materialism]," in *Socialism: Utopian and Scientific.*

ownership of the means of production has been realized, and working people have begun consciously to use objective economic laws to create their own history. The regulation of socialist production by the law of planned proportional development is manifested in the socialist state under the dictatorship of the proletariat, constituted in accordance with the common will of the proletariat and the broad masses of working people, which follows the needs of the state, collectives, and individuals and, in accordance with the objective proportional relationships among the various sectors of the national economy, distributes social labor according to plan. This is a sublation of the comprehensive regulatory role of the law of value in social labor distribution, as well as a negation of competition and unplanned production. In the course of practice, people have gradually become able to correctly understand the law of planned proportional development and are learning to formulate plans for transforming nature and transforming society in accordance with this law, achieving the anticipated results through organized activity. Chairman Mao spoke highly of the conscious activity of the working people in China, under Party leadership, in using this law to transform the world. Chairman Mao pointed out: "**The development of mankind goes back hundreds of thousands of years, but here in China it is only today that conditions have been secured for the planned development of our economy and culture. Given these conditions, the face of our country will change from year to year. The change in each five years will be considerable and after several five-year periods very much bigger.**"[1] The practice of socialist construction in China has proved that this scientific assertion by Chairman Mao is entirely correct. In only four Five-year plans, the face of China has already undergone tremendous changes: the semi-colonial and semi-feudal old China had been transformed into a socialist state that was initially prosperous and flourishing.

Several Major Proportional Relationships in the National Economy

Then, how does the law of planned proportional development regulate socialist production? To understand this, we must first determine what objective proportional

[1] Mao Zedong, "Editor's Notes From Socialist Upsurge in China's Countryside," 266.

relationships exist in the development of the national economy and which of them are primary and which are secondary.

Only by first understanding these objective proportional relationships can we correctly apply the law of planned proportional development to regulate social production.

Although the proportional relationships within the national economy are numerous, intricate, and complex, they all have certain inherent connections and follow identifiable patterns. Among the four links of production, exchange, distribution, and consumption, production is the decisive one. Within the sphere of production, agriculture and industry are the two most important sectors. Therefore, the proportional relationships between agriculture and industry, within agriculture, and within industry are three extremely important types of proportional relationships in the national economy as a whole. The planned and proportionate development of these three aspects will inevitably promote the rapid development of the entire national economy.

The proportion between agriculture and industry occupies an extremely important position in the national economy. Agricultural production and industrial production are mutually conditional. Employees in the industrial sector need agriculture to provide grain and various non-staple food; light industry needs agriculture to provide raw materials; and both light industry and heavy industry depend on the agricultural sector as an important market for their products. Conversely, the rural population needs industry to provide daily-use industrial products, while agricultural production needs industry to provide chemical fertilizers, pesticides, agricultural machinery, electric power, and other means of production. Except for the portion used for self-sufficiency, the products of the agricultural sector all need industry and the urban population as their market. Because of this close interdependence between industrial and agricultural production, and because the relationship between agriculture and industry is in fact also a relationship between workers and peasants and between socialist ownership by the whole people and socialist collective ownership by the working people, deliberately and systematically regulating the proportional distribution of social labor between agriculture and industry so that they promote each other is a key issue in the planned, proportional development of the national economy. We will discuss this issue separately in the next chapter.

The proportional relationships within agriculture include those among agriculture (crop farming), forestry, animal husbandry, sideline production, and fishery, as well as those among the various sub-sectors within crop farming, such as grain, cotton, oil-bearing crops, hemp, sassociates, tea, sugar, vegetables, tobacco, fruit, medicinal crops, and miscellaneous crops.

In agricultural production as a whole, grain production is of paramount importance. Chairman Mao taught us to "**build up ample grain reserves.**" With grain in hand, one need not panic. Whether grain production is carried out well not only affects the development of agricultural production itself, but also that of industry and the entire national economy. Because grain production is so important, when addressing proportional relationships within agriculture, we must adhere to the principle of taking grain production as the key link. The development of cash crops and forestry, animal husbandry, sideline production, and fisheries must not be separated from this key link of grain production.

Grain production occupies a decisive position in agriculture as a whole. To properly handle the relationships within agriculture, grain production must be given top priority at all times. However, grain production cannot develop in isolation. In agricultural production, agriculture, forestry, and animal husbandry are closely interdependent. The development of agricultural production, particularly grain production, is a necessary condition for developing forestry and animal husbandry, while forestry and animal husbandry, in turn, influence agriculture. Trees and forests can conserve water sources, preserve soil and water, prevent wind and sand erosion, regulate the climate, protect and develop pastures, and open up sources of feed, fertilizer, and fuel; they are an important guarantee for agricultural and animal husbandry production. The development of animal husbandry, particularly pig farming, can provide organic fertilizer for agriculture and forestry (primarily agriculture), thereby promoting the development of both in turn. Chairman Mao pointed out long ago: "**Agriculture, forestry, and animal husbandry depend on one another; none can be dispensed with. They must be placed on an equal footing.**"[1] Chairman Mao's directive profoundly elucidated the dialectical relationship among agriculture, forestry, and animal husbandry and made clear that the integration of

[1] Hua Linmao, "Plant Trees and Grow Forests to Green the Motherland," *Hongqi*, no. 3 (1972): 73.

agriculture, forestry, and animal husbandry is an important aspect of correctly handling proportional relationships within agriculture.

Developing rural sideline production and fishery, enabling them to serve industrial and agricultural production, the lives of urban and rural people, and exports, is an important aspect of expanding production. This plays a certain role in increasing capital accumulation in the rural collective economy, promoting the development of socialist production in urban and rural areas, and improving people's lives.

As for the various agricultural sectors other than grain production, such as cotton, oilseed crops, bast fiber, sassociates, tea, sugar crops, vegetables, tobacco, fruit, medicinal herbs, and other miscellaneous crops, all are indispensable and are closely interdependent with grain production.

Chairman Mao's policy of "**grain as the key link and all-round development**" reflects the objectively existing proportional relationships in agriculture and serves as a guide to correctly handling the proportional relationships within agriculture.

Within agriculture, grain production and diversified operations objectively have a mutually dependent and mutually reinforcing relationship. The development of grain production is a prerequisite for developing diversified operations, while the development of diversified operations can, in turn, promote the further development of grain production through fertilizer, funding, and other means. The policy of making grain production the central focus while pursuing comprehensive development requires that, on the premise of making grain production the central focus, the different characteristics of different regions be taken into account, that measures be adapted to local conditions, and that the production of crops, forestry, animal husbandry, sideline activities, and fisheries, as well as grain, cotton, oilseeds, hemp, sassociates, tea, and so forth, be planned in an integrated manner and appropriately arranged, so that they mutually promote one another and develop comprehensively.

Proportional relationships within industry are far more intricate than proportional relationships within agriculture. However, even within these intricate relationships, there is also a key link, and that link is steel. With steel come machines, and with machines it is possible to develop all kinds of industries. Taking steel as the key link of industry reflects the dominant

aspect of proportional relationships within industry. The development of every industrial sector must be based on the development of the iron and steel industry.

To establish proportional relationships within industry, in addition to implementing the policy of "**steel as the key link**," it is also necessary to pay attention to correctly handling the following aspects of proportional relationships.

First, the proportional relationship between light industry and heavy industry. Light industry and heavy industry are closely interdependent. In socialist construction, while giving priority to the development of heavy industry, it is essential to guard against the tendency to neglect light industry. The policy formulated by Chairman Mao of developing light and heavy industry simultaneously and giving them equal emphasis scientifically reflects the dialectical relationship between light industry and heavy industry and is the only correct policy for maintaining their proportional development.

Second, the proportional relationship between the raw-materials industry and the processing industry. For example, there are close interdependent relationships between the metallurgical industry and the machinery manufacturing industry, between chemical raw materials and the chemical products industry, and so forth. Without the cooperation of the processing industry, the raw-materials industry has no outlet for its products. Without the corresponding raw-materials industry to cooperate with it, the processing industry has no source of raw materials. Although neither can do without the other, under ordinary circumstances the dominant aspect of the contradiction is the raw-materials industry. As the saying goes, "Even the cleverest housewife cannot cook without rice." If the processing industry does not receive an adequate supply of raw materials, its equipment cannot be fully utilized. Therefore, for a socialist state committed to Independence and self-reliance, it is extremely important to develop the raw-materials industry—particularly the mining industry, which is of decisive importance within the raw-materials industry—to launch a major drive to develop mines, and to pay attention to maintaining a balance between the raw-materials industry and the processing industry.

The foregoing relationship between the raw-materials industry and the processing industry likewise applies to the various sub-sectors within the same industrial sector. Taken as a whole, for example, the iron and steel industry is a raw-materials industrial sector, supplying raw

materials to sectors such as the machine-building industry and the construction industry. However, within the iron and steel industry, mining, smelting, and steel rolling are three separate sectors, and mining is also the source of raw materials for the iron and steel industry. Therefore, mining should serve as the foundation for establishing an appropriate proportional relationship among the three.

Third, the proportional relationship between the national defense industry and basic industry. The national defense industry is one of the fists of the dictatorship of the proletariat; it is an indispensable industrial sector for countering aggression by Imperialism and social imperialism and for assisting oppressed peoples and oppressed nations.

However, the development of the national defense industry must be premised on the development of basic industry. Engels pointed out: "**The production of arms … in turn [is based] on production in general.**"[1] Without the development of basic industries such as the metallurgical industry, chemical industry, machinery industry, and electronic instrument industry, the national defense industry cannot advance. The national defense industry and basic industry must maintain a certain proportional relationship. Developing the national defense industry in isolation, independently of basic industry, will inevitably disrupt the national economy.

The Lin Biao clique propagated the idea that "military industry can drive the entire national economy," and vigorously opposed the integration of military and civilian products. Their sinister purpose was precisely to undermine the socialist national economy and serve their conspiracy to launch a counterrevolutionary coup. We must follow Chairman Mao's theory on the relationship between economic construction and national defense construction: develop National defense construction on the basis of accelerating economic construction, closely link the development of the defense industry with that of basic industry, and maintain a balance between the defense industry and basic industry. Only in this way can the defense industry and industry as a whole achieve greater and faster development.

Fourth, the proportional relationships within each industrial sector—for example, within the machine-manufacturing industry, the proportions between mainframes and auxiliary machines and between complete machines and components; and within the textile industry, the

---

[1] Friedrich Engels, "III. Theory of Force (Continuation)," in *Anti-Dühring*.

proportions between spinning, weaving, and dyeing, and so on. In theory, maintaining these proportional relationships is easy to understand. In practice, however, the influence of the erroneous ideas of emphasizing mainframes while neglecting auxiliary machines and emphasizing complete machines while neglecting components—"being willing to play only the leading role, not a supporting role"—can also disrupt the proportional relationships between mainframes and auxiliary machines and between complete machines and components. To maintain appropriate proportional relationships within industry, production plans must be properly arranged, and continuous criticism must be directed at the idea of "being willing to play only the leading role, not a supporting role."

The proportional relationships within agriculture, within industry, and between agriculture and industry are extremely important proportional relationships in the national economy and form the foundation for the balance of the entire national economy. In addition, there are many other important proportional relationships in the socialist national economy.

The proportional relationship between industrial and agricultural production and transportation is an important proportional relationship. Marx listed the transportation industry as the fourth material production sector, following the extractive industry, processing industry, and agriculture. Socialized large-scale production must ensure that all sectors and enterprises receive timely supplies of raw materials, materials, and fuel, and that products are promptly transported from places of production to places of consumption. Planned production requires planned transportation to coordinate closely with it. The transportation industry is the "vanguard." When mining or building factories, transportation conditions must be prepared first. If the development of the transportation industry lags behind industrial production, the means of production needed for industrial and agricultural production cannot be delivered in time, and products cannot be shipped out promptly; this will greatly hinder the development of industrial and agricultural production.

There is also a certain proportional relationship between cultural and educational development and economic construction. Cultural and educational activities are part of the superstructure and serve the economic base. The cultural and educational undertakings of a socialist state must be guided by Marxism in order to meet the requirements of consolidating the

socialist economic base. The scale and pace of cultural and educational development must correspond to the level of economic development and the pace of economic construction in order to ensure a continuous supply of workers who possess socialist consciousness and are culturally educated to all departments of the national economy and the superstructure, ensure the gradual improvement of the people's cultural and health standards, and meet the needs of the development of the socialist revolution and construction.

The proportional relationship between Department I, which produces means of production, and Department II, which produces means of consumption, as well as the proportional relationship between accumulation and consumption, are both highly important. If these proportional relationships are arranged improperly, they will also impede the development of the national economy as a whole. This aspect will be analyzed in Chapter Eleven.

In the course of the development of the socialist national economy, there is another important proportional relationship, namely, that between the growth of production, the development of culture and education, and population growth. The planned production of material goods and the planned development of cultural and educational undertakings objectively require planned population growth, that is, family planning. Family planning is an important prerequisite for the planned reproduction of labor power, the planned arrangement of people's lives, the protection of the health of parents and children, and the planned advancement of socialist construction. Without family planning, the reproduction of labor power would also take place without planning. This would affect the planned and proportional development of the national economy. Family planning does not mean simply restricting births; rather, different measures should be adopted according to different circumstances. In densely populated areas with high birth rates, late marriage and birth control should be promoted. In sparsely populated areas inhabited by ethnic minorities, measures conducive to population growth should instead be adopted. In short, population growth must be made compatible with the planned development of the national economy.

The Malthusians presented the law of relative overpopulation peculiar to capitalism as an absolute law of nature,[1] with the aim of concealing the evils of capitalism. Malthusian population theory invariably treats people as a passive factor and regards them merely as consumers. Marxism holds that, of all things in the world, people are the most precious. People are the decisive factor among the social productive forces. People are producers first and consumers second. Moreover, under socialism, planned growth in production is always faster than planned population growth. During the twenty-five years since the founding of our country (from 1949 to 1974), although the population grew by 60%, grain output increased 1.4 times, cotton output 4.7 times, light industrial products increased severalfold or more than tenfold, and the increase in heavy industrial products was even greater. The reactionary Malthusian population theory was not only refuted theoretically by Marxism long ago, but has also been completely crushed by the practice of socialist construction in our country.

Only when human society had reached the socialist historical period did family planning become possible. In capitalist society, the reproduction of human beings, like the production of material goods, is unplanned. Only after the proletariat and working people have seized political power, taken control of the means of production, and assumed the position of masters of society does it become possible to regulate the reproduction of human beings in a planned manner, just as the production of material goods was regulated through planning. Engels said: "**If it should become necessary for communist society to regulate the production of men, just as it will have already regulated the production of things, then it, and it alone, will be able to do this without difficulties.**"[2] The socialist society still bears the imprint of the old society in its economic, moral, and spiritual aspects; therefore, family planning cannot yet be implemented

---

[1] Malthus (1766–1834) was a British vulgar bourgeois economist. He maintained that population grows according to a geometric progression, that is, a ratio series of 1, 2, 4, 8……; whereas the means of subsistence grow very slowly, according to an arithmetic progression, that is, a difference series of 1, 2, 3, 4…… . Since population growth far exceeds the growth of the means of subsistence, society inevitably experiences hunger, poverty, and unemployment. He believed that this was the result of the operation of an absolute natural law and had nothing to do with the social system. To resolve the "contradiction" between population growth and the growth of the means of subsistence, the population must be limited. For example, population growth could be restricted through birth control, late marriage, celibacy, and abortion, or even by eliminating large numbers of people through war, epidemics, and famine. Malthus's "theory of population" was a reactionary fallacy that blatantly defended capitalism, opposed proletarian revolution, and displayed extreme hostility toward humanity.

[2] Friedrich Engels, "Letter to Karl Kautsky." (Note from translator: the webpage in Marxists Internet Archive doesn't include this part of the letter.)

without difficulty and will continue to encounter resistance from the force of old habits. However, under Party leadership, as long as a Marxist line is followed, publicity and education on family planning are strengthened, and appropriate economic and technical measures are adopted, family planning can be gradually implemented on a wider scale. This is an expression of working people taking control of their own destiny and an expression of the superiority of the socialism.

Rational Distribution of Productive Forces

The planned proportional development of the national economy requires not only the coordinated development in production of the mutually interdependent departments, but also the maintenance of coordinated proportional relations in its geographical distribution—that is, it requires a rational distribution of productive forces. The rational distribution of productive forces is a major issue involving the full utilization of natural resources, the economization of social labor, the rapid, high-quality, and economical development of socialist construction, the narrowing of the difference between urban and rural areas in the socialist state, the unity of all the nationalities within the country, and the consolidation of national defense.

The distribution of the productive forces in capitalist society takes shape spontaneously amid competition and the unplanned production. Capitalists operate enterprises—whether by opening factories, running farms, building railways, and so on—and are guided solely by the need to pursue the maximum possible profit; comprehensive consideration and planning are impossible. The spontaneously formed distribution of productive forces in capitalist society contains many irrational factors: industrial production develops in a distorted manner and is concentrated in a few major cities. Transportation enterprises such as highways, railways, waterway and air shipping, in industrially developed areas, attract competing capitalists because of high demand and high profits, and transportation capacity is often excessive. As a result, no one has enough to eat, and transportation capacity is wasted. In industrially underdeveloped areas, however, because low demand and low profits, capitalists hesitate to invest, and transportation is extremely backward.

These contradictions in the distribution of productive forces in capitalist society cannot be resolved under capitalist private ownership. They can be resolved only in a socialist society with public ownership of the means of production. Therefore, after seizing political power, the proletariat faces the task of transforming the distribution of productive forces. Engels foresaw this long ago. Engels pointed out that, in order to eliminate the harmful consequences brought about by the distorted development of capitalist large-scale industry, "**Only a society which makes it possible for its productive forces to dovetail harmoniously into each other on the basis of one single vast plan can allow industry to be distributed over the whole country in the way best adapted to its own development.**"[1]

According to what principles should the socialist society transform the irrational distribution of productive forces inherited from the old society? What, exactly, are the main elements of the so-called rational distribution of productive forces?

The rational distribution of productive forces requires locating industry close to raw-material production areas and sales areas. For a socialist state with a vast territory, this means that each relatively large administrative region or economic cooperation region should develop a relatively independent industrial system with its own distinctive features and level of development. This can greatly reduce the human and material resources consumed by long-distance transportation and build socialism with greater, faster, better, and more economical results. Of course, the principle that industry should be located near raw-material production areas and sales areas is not absolute. When other favorable factors are sufficient to offset the disadvantages of long-distance transportation, it is also necessary to make full use of and rationally develop metallurgical and processing industries located relatively far from raw-material production areas.

The rational distribution of productive forces requires large-scale industry to be distributed as evenly as possible throughout the country, and county, commune, and brigade industries to be developed in a planned and phased manner, so that industrial production and agricultural production become closely integrated, enabling the rural economy and culture to develop further. The result of this rational distribution of productive forces will be to disperse the

---

[1] Friedrich Engels, "III. Production," in *Anti-Dühring*.

residents of large cities into the countryside, establish many new small cities, and gradually narrow the essential difference between urban and rural areas until it is finally eliminated.

The distribution of the productive forces in a socialist society must serve the national defense needs of the state under the dictatorship of the proletariat and help counter the aggression and threats of imperialism and social imperialism. To this end, industry must not be allowed to become overly concentrated in large cities and coastal areas; every region should have a certain capacity for modern industrial production, including military production, and should basically achieve self-sufficiency in grain. Thus, when imperialism or social imperialism launches a surprise attack, we will have many reliable industrial bases, large and small, and greater room for maneuver, making ourselves impregnable. No matter where imperialism attacks from, it will be submerged in the vast ocean of people's war.

In a multiethnic socialist state, the rational distribution of productive forces should help strengthen unity among all ethnic groups. Under capitalism, the bourgeoisie of the nation in power, in order to extract the maximum profit, always seeks to restrict industrial development in areas inhabited by oppressed nations. After the proletariat seizes political power, it is necessary, in order to strengthen unity among the working people of all ethnic groups, to intensify industrial development in border areas and areas inhabited by ethnic minorities in a planned and phased manner, thereby gradually narrowing the gap in the levels of economic and cultural development among the various ethnic groups.

In short, the rational distribution of productive forces in a socialist society must serve the needs of consolidating the dictatorship of the proletariat and of developing socialist production rapidly, efficiently, and economically. The core issue in transforming the distribution of productive forces is, as Engels pointed out, to change the distorted industrial development inherited from the old society and achieve "**the most equal distribution possible of modern industry over the whole country.**"[1]

The distribution of productive forces in old China was extremely irrational. The long-term rule of imperialism, feudalism, and bureaucratic capitalism caused semi-colonial and semi-feudal old China to develop the following situation: the few modern industries that existed were

---

[1] Friedrich Engels, "III. Production," in *Anti-Dühring*.

concentrated in several coastal provinces and cities, while the vast interior had almost no modern industry at all.

> In the early period after liberation, the industrial gross output value of the coastal regions accounted for approximately 73% of the national industrial gross output value. In heavy industry, taking the iron and steel industry as an example, approximately 80% of production capacity was distributed along the coast, while in resource-rich areas such as Inner Mongolia, Northwest China, and Southwest China, there was virtually no iron and steel industry. In light industry, taking the textile industry as an example, more than 80% of the spindles and more than 90% of the looms were distributed along the coast, while in the extensive cotton-producing regions and the interior, there were very few textile factories.

To change this unreasonable situation inherited from old China, the key issue is to develop industry extensively in the inland areas. This gives rise to the relationship between coastal industry (existing industrial bases) and inland industry (newly built industrial bases). Chairman Mao made a profound analysis of their relationship and clarified the principles for handling it correctly.

To change the formerly irrational situation of coastal industry and inland industry, it is necessary to vigorously develop inland industry, locate the overwhelming majority of new factories in the interior, and have the existing coastal industrial bases support the development of inland industry through factory relocation, contracted construction, the provision of human resources and material resources, and other means, so that the distribution of industry throughout the country gradually becomes balanced. This is extremely important for strengthening the working class's universal leadership throughout the country, consolidating the dictatorship of the proletariat, strengthening national defense, and building socialism with greater, faster, better, and more economical results. But this certainly does not mean that a passive attitude may be adopted toward coastal industry. Generally speaking, coastal industry has a longer history and can support inland industry in terms of technical expertise, equipment, raw materials, product design, and other aspects. Fully utilizing and rationally developing coastal industry can provide better support for the development of inland industry. During the more than twenty years since the founding of the People's Republic, under the guidance of Chairman Mao's theory concerning the relationship between coastal industry and inland industry, inland industry in China has developed

rapidly, and the industrial bases newly established in the inland provinces have already begun to take shape. At the same time, the existing industrial bases in the coastal provinces and municipalities have also been fully utilized and rationally developed. Inland industry and coastal industry have both played a major role in China's socialist construction.

In the course of changing the irrational distribution of the productive forces inherited from old China, accelerating the economic and cultural development of areas inhabited by ethnic minorities in our country is of especially great significance. Although the ethnic minorities in our country account for only 6% of the total national population, they inhabit across vast areas, which comprise approximately 50-60% of the country's total area; moreover, these areas are rich in underground mineral deposits, making them highly important to the construction of socialism in our country. In the past, because of the exploitation and oppression of imperialism, feudalism, and bureaucratic capitalism, the economies of areas inhabited by ethnic minorities could not develop. They had not only no modern industry, but also extremely backward agricultural production. Since Liberation, guided by Chairman Mao's proletarian revolutionary line and illuminated by the brilliance of Chairman Mao's Nationality policy, the economies of areas inhabited by ethnic minorities in our country have also developed rapidly.

"Transporting coal from north to south" and "transporting grain from south to north" are a heavy burden left by old China's irrational distribution of productive forces. A considerable proportion of our railway transport capacity was consumed by this. Since Liberation, and especially since the beginning of the Great Proletarian Cultural Revolution, the interference of Liu Shaoqi's and Lin Biao's revisionist line has been crushed, and Chairman Mao's proletarian revolutionary line has been implemented; the grain self-sufficiency rates of the northern provinces have risen substantially. Hebei, Shandong, and Henan, three provinces that have historically suffered frequent disasters and grain shortages, now have more than enough grain for their own needs, making a new contribution to reversing the flow of "transporting grain from south to north." The exploration and production of coal mines in the southern provinces have developed rapidly, and coal output has increased greatly in Sichuan, Yunnan, Guizhou, Jiangsu, Guangdong, and other provinces. Tibet, which had never produced coal before, has also found

coal. The historical situation of “transporting coal from north to south” and “transporting grain from south to north” is gradually changing.

Section Two: Influence of the Law of Value in the Process of Distributing Social Labor

When analyzing the connections between capitalist society and earlier social formations, Marx once pointed out: "**The categories which express its relations, and an understanding of its structure, therefore, provide an insight into the structure and the relations of production of all formerly existing social formations the ruins and component elements of which were used in the creation of bourgeois society.**"[1] The socialist society emerged from the capitalist society and likewise exhibits this situation. With regard to the distribution of social labor according to certain proportions, by the stage of monopoly capitalism, the use of planning to regulate production had already shown some signs of this; however, it was only after the birth of the socialist society that it appeared before people as a law and developed to acquire its full significance. At the same time, remnants that have not yet been overcome still exist in the socialist society; for example, the law of value continues to exert an influence in the process of distributing social labor according to certain proportions. To understand the distribution of social labor in the socialist production process, one must understand the interaction between the law of planned proportional development and the law of value in the process of distributing social labor.

Then, what is the law of value? How does the law of value affect the process of distributing social labor?

Under socialism, the commodity system is still maintained. This means that the production of social products remains commodity production. Where there is commodity production, there is a law of value. "**Wherever commodities and commodity production exist, there the law of value must also exist.**"[2] The basic content of the law of value is: (1) the magnitude of a commodity's value is determined by the socially necessary labor time consumed in producing that commodity; (2) the exchange of commodities must be conducted according to

---

[1] Karl Marx, "I. PRODUCTION, CONSUMPTION, DISTRIBUTION, EXCHANGE (CIRCULATION)," in *A Contribution to the Critique of Political Economy*, (Progress Publishers, Moscow).

[2] Joseph Stalin, "3. The Law of Value Under Socialism," in *Economic Problems of the USSR*, (Foreign Languages Press, Peking, 1972).

the principle of exchange of equal values. These two aspects are interrelated: the latter is based on the former, while the former must, in turn, be implemented through the latter. In fact, the individual labor time consumed by the various enterprises producing the same kind of commodity differs enormously, yet exchange must be carried out using socially necessary labor time as a unified measure. This situation, in which the formal equality manifested by the law of value is actually inequality, is bourgeois right. There is little difference between this basic content of the law of value in socialist society and in the old society.

However, commodity production in socialist society takes place primarily under the conditions of the two forms of socialist public ownership. Consequently, the manner, scope, and consequences of the operation of the law of value are already quite different from those in capitalist society.

Under capitalism, social production takes place amid competition and unplanned production. Commodity prices fluctuate continuously around production prices, the transformed form of commodity value, as supply-and-demand relations in the market change—sometimes rising above production prices and sometimes falling below them. Such spontaneous fluctuations in commodity prices cause people to expand or contract production blindly. When prices are higher than production prices, profit is greater than average profit, and capitalists, seeing the prospect of substantial gains, rush to invest capital in these sectors. Conversely, they withdraw capital. Social production develops amid this state of blind competition. This situation shows that under capitalism, the law of value manifests itself as an alien force operating behind people's backs and serves as the comprehensive regulator of social production.

Under socialism, the regulator of social production is no longer the law of value, but the national economic plan formulated on the basis of the basic economic law of socialism and the law of planning. As Marx foresaw: "**[Labor time's] apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community.**"[1] This is because the purpose of social production has changed. The purpose of socialist production is to satisfy the needs of the state under the dictatorship of the proletariat and the broad masses of the working people, rather than,

---

[1] Karl Marx, "Chapter One: Commodities," in *Capital*, Vol. I.

as in capitalist society, merely to produce profit for capitalists. The socialist state under the dictatorship of the proletariat can, according to the needs of the state and the people and on the basis of the situation of total social labor during a given period, distribute social labor among the various sectors of the national economy in planned proportions, without relying on the law of value for regulation. Therefore, fundamentally speaking, the law of value in socialist society is no longer an alien force operating behind people's backs, nor is it the comprehensive regulator of social production. However, the law of value still exists; it has become possible for people to understand it, and it has become a law that can be mastered by people, playing its historical role in the process of socialist construction.

Under the conditions of socialist commodity production, an important manifestation of the operation of the law of value is planned prices. Under socialism, commodity prices do not spontaneously rise and fall on the free market as supply-and-demand relations change; rather, they are determined by the state plan. From this perspective, planned prices embody the operation of the law of planned proportional development. However, one must not therefore conclude that planned prices can be determined arbitrarily, with no need at all to consider the operation of the law of value. This is absolutely not the case. The basis of planned prices is still the value of commodities. Viewed from the standpoint of society as a whole, if the prices of some commodities are higher than their values, the prices of other commodities must necessarily be lower than their values. This phenomenon of prices deviating from value exists everywhere within the system of planned prices, and this is precisely a form in which the law of value manifests itself. Then how does the law of value influence the distribution of social labor through planned prices?

First, what socialist state-run enterprises produce and how much they produce are regulated by the national economic plans formulated in accordance with the requirements of the basic economic law of socialism and the law of planned proportional development of the national economy. However, under the commodity system, every national economic plan is expressed both in physical form (for example, how many tons of steel and how many tons of coal are to be produced annually…) and in value form (for example, how many hundreds of millions of yuan are to be invested, the output value, and how many hundreds of millions of yuan in profit

remittances are to be made…). Therefore, in this sense, the role of the law of value has already been embodied in the national economic plans and has influenced the distribution of social labor. Moreover, in the state plan, for some industrial products, especially daily-use industrial products, production quantities are often stipulated only by broad product categories, without specifying particular varieties or specifications; or enterprises are given only output value targets, without their physical output targets being specified. At the same time, under certain conditions, the state also consciously makes use of deviations between price and value through planned prices to influence the production of such products.

Secondly, the production of the socialist collective economy is also carried out under the guidance of the state plan. In particular, the sown areas and delivery quotas for important agricultural products such as grain, cotton, and oil produced by rural people's communes are all stipulated by the state plan. Although the state does not directly assign planned production targets for many other agricultural and sideline products, it nevertheless incorporates their production into the framework of the state plan by having commercial departments sign procurement contracts with communes and production teams. Therefore, viewed as a whole, the production of the rural collective economy is likewise governed and regulated by the law of planned development of the national economy. However, the state also promotes the fulfillment of the plan through the role of planned prices. For example, during a certain period, the state may adopt measures to adjust the cotton-grain price ratio in order to promote cotton production and fulfill the cotton procurement plan.

This role of the law of value has a greater impact on the production of collective enterprises, because collective enterprises are economic units operating with responsibility for one's own profits and losses, and both their level of accumulation and the income level of their commune members depend on their own production income. As for the production of those scattered local specialty products within the collective economy whose relationship to the national economy and people's livelihood is not particularly important, and which are neither included in the state plan nor linked to it through procurement contracts, price levels and the size of returns play a greater role: products yielding higher returns are more likely to develop, while products yielding low returns or incurring losses are more difficult to develop. This is the

regulatory role that the law of value exerts, to a certain extent, on the production of such products.

In short, as long as the commodity system is implemented, the law of value continues to operate, whether in the production of state-run enterprises or in that of collective enterprises. However, viewed from the perspective of socialist production as a whole, the allocation of social labor among the various production sectors—what to produce and how much to produce—is regulated by the state plan, which reflects the basic economic law of socialism and the law of planned development of the national economy. Therefore, the state plan is the primary factor and plays a decisive role, whereas the law of value is secondary and merely exerts an influence.

In the process of distributing social labor, the law of value has, on the one hand, a historical role and, on the other, a negative role. The law of value is, after all, the basic law of commodity production; it is a relic of the private economy and contains the germs of all the contradictions of capitalism. Lenin pointed out: "**Just as the simple form of value, the individual act of exchange of one given commodity for another, already includes in an undeveloped form all the main contradictions of capitalism.**"[1] Under socialism, although the role of the law of value can be recognized and consciously utilized by people, as long as the law of value exists, it will give socialist enterprises the possibility of expanding the bourgeois right embodied in it, eagerly producing those products whose prices are higher than their values, and refusing to produce those whose prices are lower than their values or only comparatively slightly higher than their values, regardless of whether these products are needed by the state and the people. Therefore, the harm that the law of value may bring to the socialist economy must be restricted. If it is not restricted, it will undermine the state plan, not only damaging the development of the socialist economy but also causing bourgeois management practices and spontaneous capitalist forces to expand, accelerating the emergence of new bourgeois elements and capitalist roaders in authority within the Party, and corroding and disintegrating the socialist economy. Whether to restrict or expand this negative role of the law of value is an important

---

[1] Vladimir Ilyich Lenin, "Conspectus of Hegel's book 'Science of Logic,'" in *Lenin's Collected Works*, Vol. 38, (Progress Publishers, Moscow, 1976).

aspect of the struggle between two classes, two roads, and two lines in the socialist revolution and construction.

Voznesensky, a Party person in power taking the capitalist road within the All-Union Communist Party (Bolsheviks), strongly advocated expanding the role of the law of value in his book, *The Wartime Economy of the USSR during the Great Patriotic War*, claiming that the law of value in a socialist economy is "the most elementary law determining production costs and determining the distribution and exchange of products." Liu Shaoqi, Lin Biao, and Deng Xiaoping and their kind likewise desperately expanded the role of the law of value and propagated the "omnipotence theory" of the law of value. Their common characteristic was to discuss "unified planning" while departing from the socialist purpose of production; yet the soul of this planning was putting profit in command—that is, allowing the law of value to regulate social production comprehensively. In Deng Xiaoping's "Regulations" that supposedly aimed to accelerate industrial development, he went on at length about "the need to strengthen the state's unified planning," on the premise of negating the socialist purpose of production. In addition, he attacked the proletariat's criticism of putting profit in command as "one-sided opposition to grasping profits," saying, "It is not putting profit in command, is it? There is no harm in putting it in command a little on this issue; otherwise, what can the state rely on?" This exposes his sinister aim of advocating that the law of value regulate production comprehensively. This line is the line of Soviet revisionism. If this revisionist line is allowed to run rampant, and socialist enterprises all put profit in command—doing much when profits are high, doing little when profits are low, and doing nothing when there is no profit—it will inevitably undermine and destroy the socialist planned economy. Bourgeois right will expand viciously, and if this continues, it will inevitably lead to the restoration of capitalist ownership. Therefore, the practice of the struggle between the two lines as reflected in the question of the law of value tells us that, in order to correctly use the law of value to serve socialist production, we must clearly distinguish between Marxism and revisionism and between socialism and capitalism. We must never lower our guard; otherwise, we will lose our direction.

Section Three: Consciously Applying Objective Laws to Distribute Social Labor Proportionally

Process of Distributing Social Labor is a Process of Contradictions

Under socialist conditions, the distribution of labor in certain proportions is both regulated by the law of planned proportional development of the national economy and influenced by the law of value. This is a major characteristic of the movement of the socialist economy. Since the system of ownership has changed, social production is no longer comprehensively regulated by the law of value as it is in capitalist society, which gives rise to competition and unplanned production. At the same time, because the commodity system continues to exist, the law of value also continues to exist and exerts a certain influence in the process of distributing social labor, and thus is also different from communist society. Marx once pointed out: "**The life-process of society, which is based on the process of material production, does not strip off its mystical veil until it is treated as production by freely associated men, and is consciously regulated by them in accordance with a settled plan.**"[1] The proletarian socialist revolution, through intense class struggle, has established the dictatorship of the proletariat and socialist relations of production. At this point, the social material production process begins to come under the conscious and planned control of people. The "mystical veil" of social products began to be lifted, and the basic economic law of socialism and the law of planned proportional development begins to operate. But this is only the beginning. People in socialist society are still divided into classes and have not yet fully attained the state of "freely associated people" characteristic of communist society. The association of people in socialist society is still linked with commodity relations and therefore remains covered, to a certain extent, by a "mystical veil." The law of value, in its essence, is an alien force. Its movement always tends, to a greater or lesser extent, to escape people's conscious and planned

[1] Karl Marx, "Chapter One: Commodities," in *Capital*, Vol. I.

control. Thus, the process of distributing social labor inevitably manifests itself as a process full of contradictions.

In the socialist production process, the directions in which the law of value and the law of planned proportional development operate are sometimes consistent. For example, the law of planned proportional development of the national economy requires accelerating the production of certain cash crops in order to meet the raw-material needs arising from the rapid development of certain light industries, while the prices of these cash crops can also ensure greater returns for the agricultural collective economy. Under such circumstances, the state plan's demand for increased output is consistent with the agricultural collective economy's demand for increased production and income, so production-increase plans are generally easy to fulfill and exceed.

However, the directions in which these two laws operate may also be inconsistent. For example, the law of planned development may require accelerating cotton production, but if the price ratio between cotton and grain is unreasonable and the income obtainable from growing cotton is relatively low, this will affect the fulfillment of the cotton production plan. In that case, the law of value must be applied by appropriately raising the price of cotton in order to promote cotton production. Of course, under certain conditions, this will in turn result in a situation in which the prices of some cash crops bring greater income to the collective economy, while other cash crops or food crops bring only smaller incomes.

Under these circumstances, some people may become eager to increase the production of crops that yield higher incomes, thereby running counter to the requirements of the national economy plan for comprehensive increases in the output of various crops to different degrees. It can be seen from this that when the effects of the two laws are consistent, the law of value plays a positive role in promoting the fulfillment of the state plan. When the effects of the two laws are inconsistent, the law of value will impede the fulfillment of the state plan and play a negative role.

> Taking as an example the early soybeans and early tomatoes sown in spring, and the autumn greens and autumn spinach sown in autumn, in the suburbs of Shanghai in 1974: after production costs were deducted from the output value per mu, the net income from early soybeans was ¥77.1, while that from early tomatoes was ¥193.7; the net income from autumn greens was ¥36.7, while that from autumn

spinach was ¥148.5. In order to earn more money, some production teams disregarded the state plan and instead planted according to prices, substantially cutting the area sown with early soybeans and autumn greens while greatly expanding the areas planted with early tomatoes and autumn spinach. This change in the structure of vegetable production, brought about by regulation through the law of value rather than by the law of planning, will inevitably affect market supply.

The regulation of vegetable cultivation by the law of value can be changed. In fact, some advanced communes and teams have consistently adhered to the principle of "planning first, prices second" and grown vegetables according to the state plan. The vegetable fields of Yangjing Commune, Chuansha County, Shanghai, account for 61% of the total cultivated area, making it one of the major vegetable-growing communes in the suburbs of Shanghai. In the past, they too experienced a situation in which the law of value regulated vegetable production. However, after the Great Proletarian Cultural Revolution, the commune Party committee's awareness of line struggle was greatly enhanced. In vegetable production, they: (1) constantly criticize capitalist spontaneous tendencies and correctly handled the contradiction between "line" and "money"; (2) correctly handle the contradiction between the seasonal nature of production and the need for balanced market supply, ensuring that urban residents could regularly buy vegetables; (3) plant according to residents' needs, raising vegetable production and supply to a new level; and (4) properly handle the relationship between vegetable growers and vegetable sellers, with both working together to serve vegetable consumers. As a result, comparing 1975 with 1966, vegetable yields per unit area increased by 21%, average output value per mu increased by 52%, the number of varieties grew from 58 in 1971 to 110 in 1975, and commune members' incomes increased by 32%. Thus, they not only successfully fulfilled the planting plan assigned by the state and met society's needs, but also increased commune members' incomes. Under conditions of public ownership, as long as production is guided by a correct line, the harm caused by the law of value can be limited.

Therefore, what is known as the conscious application of the law of value means gaining a comprehensive understanding of the role of the law of value, acting according to the principle "planning first, prices second," and relying on the state plan to guide social production rather than relying on prices to guide production. Otherwise, we will slide onto the revisionists' misguided path of proclaiming that "the law of value is omnipotent." This is because the law of value, as the law of commodity production, embodies a form of bourgeois right and gives rise to bourgeois elements. Subject to the constraints of the basic economic law of socialism and the law of planned proportional development, applying the law of value can urge every enterprise and every economic department to strive to raise labor productivity and reduce the socially necessary labor time per unit of product, thereby ensuring the rational distribution and redistribution of social labor in certain proportions and building socialism with greater, faster, better, and more

economical results. However, once it is separated from the constraints of the basic economic law of socialism and the law of planned development, and from political and ideological work, the law of value becomes like a runaway horse or a breached flood embankment, leading some people to exploit divergences between price and value in pursuit of profit, undermine the planned allocation of social labor, throw production into disorder, and destroy the socialist economic base. Therefore, the contradiction that arises between the law of planned proportional development and the law of value in the course of distributing social labor must necessarily manifest itself as the struggle between the proletariat and the bourgeoisie, between the socialist road and the capitalist road, and between the Marxist line and the revisionist line. The Soviet revisionist traitor clique says: "Yet its manifestation in the joint activity of people cannot be achieved spontaneously, through competition, because we have no antagonistic contradictions or interests, nor any struggle between antagonistic forces." (Rumyantsev et al., eds., *Political Economy of Socialism*, Soviet Union.) This is not only a distortion of socialist economic relations; it is even more an attempt to conceal the intense struggles that existed in the economic sphere after the Soviet Union's restoration of capitalism—between the bureaucratic monopoly bourgeoisie and the proletariat, and among the various groups of the bureaucratic monopoly bourgeoisie.

Under socialist conditions, the distribution of social labor in accordance with the objective proportional relationships of the national economy is basically achieved through work of planning the national economy. Whether the national economic plan correctly reflects objective laws is of great importance not only to socialist construction, but also to whether bourgeois right can be restricted in the processes of production and exchange. If the planned proportions are arranged inappropriately and production targets are set too low, social needs cannot be met, resulting in gaps in the supply of certain commodities. If production targets are set too high, or channels for supplying materials are obstructed, shortages of raw materials will result. When either of these situations occurs, in less serious cases enterprises will seek their own ways to engage in barter; in more serious cases, the new and old bourgeoisie will take advantage of the situation to engage in illegal procurement and reselling for profit. In either case, conditions are created for expanding bourgeois right and the restoration of capitalism.

Plans are formulated by people and belong to the realm of ideology. It is no easy matter to ensure that the plans formulated by people correctly reflect the law of planned proportional development of the national economy and correctly allocate labor according to certain proportions. In socialist society, the process of formulating plans is filled with fierce struggle between the two classes and the two lines. The struggle between the Marxist line and the revisionist line in the economic sphere must be reflected in the process of formulating plans: Is it putting politics in command, or is it profit in command? Is the order agriculture, light industry, and heavy industry, or heavy industry, light industry, and agriculture? Is there simultaneous development of large, medium, and small enterprises, or development of only large enterprises? Is the Angang Constitution being implemented, or the Magang Constitution[1]? Is genuine concern shown for the people's livelihood, or are material incentives being used? Is Independence and self-reliance upheld, or is there worship of foreign things, surrender, and betrayal of the country? … This series of questions all concerns the major issue of whether to consolidate or undermine the socialist economic foundation. If the revisionist line gains the upper hand in the process of formulating plans, it will lead to the restoration of capitalism.

The bourgeoisie within the Party, such as Liu Shaoqi, Lin Biao, and Deng Xiaoping, have always schemed painstakingly to pull the plan for the socialist national economy onto the track of revisionism. During the year after Deng Xiaoping returned to work, he continually meddled in planning. Under the black program of "taking the three instructions as the key link," he put forward an entire revisionist line for running enterprises, namely the so-called "Regulations," in the vain hope that it would serve as the basis for formulating plans, and, through the state planning organs, impose this revisionist plan of restoration and regression on the entire Party and the people of the whole country. Planning organs at all levels of the state are important positions in the struggle between the two lines during the process of formulating plans. It must be recognized that the bureaucratic style of work in the state planning organs is also an important condition making them susceptible to the revisionist line. This bureaucratic style of work cannot

[1] Note from translator: The Magang Constitution was a complete set of factory management practices implemented by the socialist enterprises represented by Magnitogorsk Iron and Steel Works, the largest steel complex in the Soviet Union. Before the development of Angang Constitution, the Magang Constitution was implemented at all factories in China.

promptly reflect the vigorous creative spirit of the broad masses; it can only stifle that vigorous creative spirit, while it readily dovetails with the revisionist line. Therefore, to ensure that the plan for the socialist national economy truly reflects the requirements of the basic economic law of socialism and the law of planning, and truly embodies the requirements of the Party's basic line, it is necessary to persist in the struggle against the revisionist line and against the bourgeoisie within the Party, while constantly reforming the state planning organs at all levels, rooting out the bad habits of bureaucratism, and making the state planning organs at all levels truly instruments of the dictatorship of the proletariat. Of course, in addition to being undermined and disrupted by the bourgeoisie inside and outside the Party, socialist planning work also involves a process by which people come to understand objective laws. It is difficult to understand all at once the intricate proportional relationships within the national economy. Nevertheless, within the limits permitted by objective conditions, people should do their utmost to make their actions conform to the requirements of the law of planned proportional development. As long as we firmly rely on the masses, constantly sum up experience, heighten consciousness, overcome blindness, conduct thorough investigation and research before formulating plans, ascertain the situation, and arrange proportional relationships according to the inherent connections of objective things, this can be achieved.

The correct application of the law of planned proportional development will enable the interrelated departments of the national economy to maintain coordinated proportional relationships in the course of development. However, this law cannot indicate the direction of development of the socialist economy. It is the basic economic law of socialism that indicates the fundamental direction of the development of the socialist economy. Therefore, a sound national economic plan must first reflect the basic economic law of socialism in all respects.

Consciously Regulating the Allocation of Social Labor Is an Advantage of the Socialist Economy

Consciously regulating the allocation of social labor is a continuous process of struggle. This is because, in the development of the socialist economy, balance is always temporary and

relative, whereas imbalance is constant and absolute. In the course of developing the socialist economy, various subjective and objective factors frequently give rise to situations that disrupt balance and proportional relationships.

The superiority of the socialist economy over the capitalist economy does not lie in the fact that imbalances among the various production sectors will not arise during its development, but rather in the fact that, in a capitalist society based on private ownership, imbalances among the various production sectors cannot be overcome through people's conscious activity and planned regulation; consequently, they often develop into serious disproportions, causing enormous waste of human, material, and financial resources. In a socialist society based on public ownership, however, imbalances can be continuously overcome through people's conscious activity and the planned regulation of the Party and the state, thereby establishing relative balance. "**Constant, deliberately maintained proportion would, indeed, signify the existence of planning.**"[1] Moving from balance to imbalance and then from imbalance back to balance means breaking the old proportional relationships and establishing new ones on the basis of a higher level of development, enabling the socialist economy to advance rapidly through the unity of opposites between balance and imbalance. Chairman Mao pointed out: "**A constant process of readjustment through state planning is needed to deal with the contradiction between production and the needs of society, which will long remain an objective reality. Every year our country draws up an economic plan in order to establish a proper ratio between accumulation and consumption and achieve an equilibrium between production and needs. Equilibrium is nothing but a temporary, relative, unity of opposites. By the end of each year, this equilibrium, taken as a whole, is upset by the struggle of opposites; the unity undergoes a change, equilibrium becomes disequilibrium, unity becomes disunity, and once again it is necessary to work out an equilibrium and unity for the next year. Herein lies the superiority of our planned economy. As a matter of fact, this equilibrium, this unity, is partially upset every month or every quarter, and partial readjustments are**

[1] Vladimir Ilyich Lenin, "Uncritical Criticism," in *Lenin's Collected Works*, Vol. 3, (Progress Publishers, Moscow, 1964).

called for."[1] This theory of Chairman Mao, from the standpoint of materialist dialectics, elucidates the planned development of the socialist economy and its superiority, and represents a development of Marxist political economy.

The view that the planned, proportional development of the socialist economy entails no contradictions and that imbalances should be feared is a metaphysical view. The correct attitude is to analyze, in a realistic manner, the imbalances arising in the national economy, taking different circumstances into account and treating them differently. If workers in certain sectors, by raising their socialist enthusiasm, saving raw materials, increasing equipment utilization rate, and exceeding the plan without increasing the workforce, break the balance, that is a good thing and should be welcomed. If an imbalance results from errors in the work that lead to failure to fulfill the plan, lessons should be drawn and every effort made to avoid it. Regardless of the cause, once an imbalance appears, it must be addressed positively. In accordance with the requirements of the development of the national economy as a whole, production in temporarily lagging sectors must be promptly promoted, and a new balance established. This is precisely an expression of the superiority of the socialist planned economy.

To overcome the imbalances that frequently arise and establish relative balance, it is necessary to pay attention to carrying out comprehensive balancing effectively. Comprehensive balancing is not the balance of individual production sectors, but the balance of the entire national economy, based on balance within agriculture, balance within industry, and balance between agriculture and industry.

The task of comprehensive balancing is mainly, under the guidance of the Party's basic line, to arrange the proportional relationships within the national economy in accordance with the objective requirements of the basic economic law of socialism and the law of planned proportional development of the national economy, while taking into account the influence of the law of value on socialist production; to appropriately allocate human, material, and financial resources among all sectors of the national economy; and to establish a balance between social production and social needs, so that the growth of production of means of production meets the needs of increasingly developing socialist production, and the growth of production of means of

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 395.

consumption meets the needs of the gradual improvement of the people's standard of living. The process of comprehensive balancing is a process of exposing, analyzing, and resolving contradictions. In order to achieve comprehensive balancing, contradictions should be handled with a proactive attitude: short-supply products[1] should be actively brought up to the required level, and those temporarily lagging sectors that are crucial to the national economy should be developed more rapidly, so that a new balance can be established at a new and higher level. Only in this way can the needs of production and construction, national defense construction, and the people's livelihood be better satisfied. The clique of Liu Shaoqi and Deng Xiaoping opposed Chairman Mao's proletarian revolutionary line and at times came up with such labels as "short-line balancing," engaging in passive balancing by cutting down the high and adjusting everything to the low; at other times, disregarding shortages of raw materials, they proposed unrealistically high targets, and when those targets fell short, they resorted to "cut everything back and retreat fully," while absurdly claiming that "a donkey walks slowly, but steadily." In planning work, they pursued a rightist, or "left" in form but right in substance, opportunist line.

Comprehensive balancing means establishing equilibrium throughout the national economy. The proportional relationships within the national economy as a whole are exceptionally complex and involve many contradictions, making it necessary to analyze the overall situation. Chairman Mao taught: "**One must not treat all the contradictions in a process as being equal but must distinguish between the principal and the secondary contradictions, and pay special attention to grasping the principal one.**"[2] Applying this teaching of Chairman Mao to comprehensive balancing means that, with regard to the various proportional relationships among the sectors and regions of the national economy, we must never treat them equally without distinguishing between primary and secondary, key and general matters. Failing to distinguish priorities and distributing effort evenly is like trying to press down ten fleas with ten fingers at the same time: in the end, not one can be caught. Key sectors and key enterprises play a crucial role in the development of the national economy as a whole; therefore,

---

[1] Short-supply products are products for which demand exceeds supply during a given period. "Short-line balancing" refers to a kind of passive balancing that accommodates short-supply products.

[2] Mao Zedong, "*On Contradiction*," in *Selected Works of Mao Zedong*, Vol. I, 333.

priority must be given to them, and their needs should be guaranteed first. However, guaranteeing priority sectors and enterprises does not mean that general aspects may be ignored. The key and the general are closely interdependent. If the key is not guaranteed, the general cannot develop well; if the general is neglected, the development of the key will also be affected. Therefore, in comprehensive balancing, we must implement the policy of "**comprehensive planning, appropriate arrangements**," while giving simultaneous consideration to the general under the premise of ensuring the key. We must proceed from the whole, consider both present and future consequences, take into account relationships above and below and to the left and right, and avoid making one-sided mistakes.

In comprehensive balancing work, it is necessary to take into account the balance of labor power, the materials balance, and the funds balance. Since people are the most important factor among the productive forces, of these three types of balance, the balance of labor power must be arranged first. In arranging the balance of labor power, moreover, based on the principle that agriculture is the foundation of the national economy, it is necessary first of all to ensure that the needs of agricultural production for labor power are met. Only when the development of mechanization in agricultural production makes it possible to provide surplus labor power, as well as greater quantities of commodity grain and cash crops, may an appropriate amount of labor power be transferred from agriculture to develop industry and other sectors of the national economy. Without this prerequisite, transferring excessive amounts of agricultural labor would disrupt comprehensive balancing and hinder the planned, proportionate, and rapid development of the national economy.

It always takes a certain period for the various sectors of the national economy to move from imbalance to the establishment of a new equilibrium. In order to ensure proportional development among the sectors during this process, it is necessary to establish and maintain an appropriate level of material reserves. The quantity of each type of material reserve must be suitable. If reserves are too small to meet the need to fill gaps and make up shortages, some sectors will be forced to operate below capacity because of shortages of certain materials, thereby affecting the rapid development of the national economy as a whole. If the quantity of reserve materials is excessive, it will lead to a backlog of materials and funds, preventing

materials and funds that could otherwise be used for current production from fulfilling their function, and will likewise hinder the rapid development of the national economy.

In the process of distributing social labor in certain proportions, in addition to correctly applying the basic method of comprehensive balancing, it is also necessary to follow several basic principles derived from the practical experience of planning work.

First, the work of planning the national economy must harness the initiative of both the central and local authorities, combining centralized unified leadership with local initiative.

To formulate and implement a unified national economic plan, there must, of course, be highly centralized unified leadership. In the work of planning the national economy, without centralized unified leadership by the central authorities, without promoting a broad overall perspective and opposing decentralism, and if every locality is allowed to administer its own affairs, there can be no unified national economic plan. However, socialist centralized leadership is founded on a broad democratic basis. Centralized leadership by the central authorities and the promotion of local initiative are mutually conditional. In explaining democratic centralism in economic work, Lenin said: "**Our task now is to carry out democratic centralism in the economic sphere, to ensure absolute harmony and unity in the functioning of such economic undertakings as the railways, the postal and telegraph services, other means of transport, and so forth. At the same time, centralism, understood in a truly democratic sense, presupposes the possibility, created for the first time in history, of a full and unhampered development not only of specific local features, but also of local inventiveness, local initiative, of diverse ways, methods and means of progress to the common goal.**"[1]

In order to combine centralized unified leadership by the central authorities with the full promotion of local initiative, when formulating the national economic plan, priority should be given to local administration, implementing "from the bottom up, combining the upper and lower levels; giving priority to local administration and combining vertical and local administration." During the implementation of the plan, localities must likewise be allowed to adopt special methods suited to their local conditions. This special character is not the kind associated with

---

[1] Vladimir Ilyich Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government,'" in Lenin's Collected Works, Vol. 27, (Progress Publishers, Moscow, 1972).

creating independent kingdoms; rather, it is the special character necessary, for the sake of overall interests and adapting measures to local conditions, to fully tap potential forces in production and better complete the unified national economic plan. In terms of the planning work system, this means implementing a system of unified planning and multilevel management. Chairman Mao pointed out as early as the founding of the People's Republic of China: "**China is a large country. Only by establishing such a powerful level of local institutions can we handle affairs properly. Whatever should be unified must be unified, and absolutely no one may administer their own affairs; however, unification and adapting measures to local conditions must be combined with each other.**"[1] Chairman Mao later taught us repeatedly: "**Having two initiatives is far better than having only one,**" and "**Under the central unified plan, let localities handle more affairs.**"[2]

However, the bourgeoisie within the Party has consistently opposed Chairman Mao's revolutionary line and consistently pursued sectional dictatorship in the economic management system. Before the Great Proletarian Cultural Revolution, Liu Shaoqi, acting together with Deng Xiaoping, energetically promoted sectional dictatorship; later, Lin Biao also strengthened sectional dictatorship. After Deng Xiaoping resumed work, he again revived sectional dictatorship. The so-called "sectional dictatorship" means practicing bureaucratic monopoly and autocratic dictatorship. Its reactionary feature is that it denies others any initiative. Planning is handled exclusively by the "vertical departments," rather than giving priority to local administration. Material allocation is carried out through unified procurement and distribution, opposing local matching and local supply. In fiscal revenues and expenditures, resources are exhausted through overfishing and local financial resources are withheld. After Deng Xiaoping resumed work, he maliciously slandered the excellent situation on the economic front as being "chaotic," "scattered," and "slow," and widely promoted "rectification" to cure "chaos," reclaiming "authority" to cure "dispersal," and "introduction" to cure "slowness." By reviving sectional dictatorship, Deng Xiaoping set himself against the Central Committee of the Party,

---

[1] "The Meeting Discusses and Adopts Twenty-Six Appointments; Chairman Mao Explains the Need for Unity—Unity and Adaptation to Local Conditions Must Be Combined," *People's Daily*, December 4, 1949.

[2] "Under the Guidance of the Great Leader Chairman Mao's Proletarian Revolutionary Line, the Situation of Our National Economy Is Excellent," *People's Daily*, January 1, 1971.

acted domineeringly and arbitrarily toward localities, created sharp confrontation with the masses, and bowed and scraped to foreigners. His criminal aim was to facilitate the implementation, from top to bottom, of a revisionist line, and to transform the socialist economy into a bureaucratic monopoly capitalist economy. To practice sectional dictatorship is to practice the dictatorship of the bourgeoisie. Sectional dictatorship opposes the dictatorship of the proletariat and is as incompatible with Chairman Mao's revolutionary line as fire and water. In planning work, sectional dictatorship must be thoroughly criticized and exposed politically, theoretically, and ideologically, and completely overthrown.

Second, "**When drawing up plans, it is necessary to mobilize the masses and ensure that sufficient leeway is retained.**"[1] This is an extremely important principle in the work of planning the national economy. Every production plan should be backed by supplies such as raw materials and complementary components. Some plans have material shortfalls; through such methods as conservation and tapping latent potential, the shortfalls are turned into surpluses, ensuring that the plans are fulfilled. This is a normal phenomenon. However, excessively large shortfalls must be opposed. Excessively large shortfalls not only undermine the seriousness of planning but also dampen the masses' enthusiasm.

Socialist construction is the people's own undertaking. Therefore, planning work must place full confidence in the masses, follow the mass line, expose contradictions, identify gaps, and promote transformation. For each enterprise to determine which products to produce and in what quantities, its leaders should explain the situation, encourage morale, assign tasks to the masses, communicate the situation, measures, and difficulties, and mobilize the masses to discuss them. This is an important sign that workers are masters of the country. If plans and targets are not discussed by the masses, they remain the ideas of cadres; only after discussion by the masses do they become the masses' own plans, fully mobilizing the broad masses' enthusiasm and making the planning targets both advanced and reliable.

Planned targets should be advanced. Only advanced plans can inspire morale. To formulate an advanced plan, it is essential to struggle against bourgeois ideology. Some people

---

[1] "Grasping Revolution, Promoting Production, and Winning New Victories on the Industrial Front," *People's Daily*, February 21, 1969.

clearly know that production potential is substantial, yet set planned targets very low so that they can obtain more above-quota products to use as bargaining chips for extra-plan cooperation; or, instead of proceeding from the needs of the state, choose only what benefits them; or, seeking convenience, demand excessive materials, causing them to be stockpiled and wasted; or pursue output value one-sidedly while neglecting variety and quality. Clearly, if bourgeois ideology is allowed to run rampant and no struggle is waged against it, it will be impossible to formulate a scientific plan that reflects objective reality. The process of formulating a plan is also the process of struggle between proletarian ideology and bourgeois ideology.

Planned targets should be advanced, but this definitely does not mean that the higher the target, the better, or that targets may be increased or doubled without any basis. Targets set higher than objective possibilities not only fail to mobilize the masses' enthusiasm but inevitably dampen it. Advanced planned targets must have a scientific basis and be reliable, practical, and feasible. Chairman Mao taught: "**No one should disregard reality and indulge in flights of fancy, or make plans of action unwarranted by the objective situation, or reach out for the impossible.**"[1] If something could originally be accomplished through effort but is considered impossible and left undone, that is called rightist conservatism. Undertaking something without sufficient basis and when it cannot work is called blind action, or being "left" in form but right in substance. In drawing up plans, we must oppose both rightist conservatism and being "left" in form but right in substance. Plans should be based on things that have sufficient grounds and can be completed through effort. Third, when formulating the capital construction plan, we should implement the principle of concentrating forces to fight a war of annihilation.

The human, material, and financial resources that can be devoted to capital construction within a given period are limited. If the capital construction front is too extensive and too many projects are launched on an excessively large scale, the time required to complete them and put them into operation will inevitably be prolonged. If we concentrate forces to fight a war of annihilation, projects can be completed and put into operation sooner. Suppose that, during a five-year plan period, our capital construction funds are sufficient to build 500 projects. There

---

[1] Mao Zedong, "Prefaces to Socialist Upsurge in China's Countryside," in *Selected Works of Mao Zedong*, Vol. V, 240.

are two ways of proceeding. One is to launch all 500 projects simultaneously and spread the construction funds among them, so that all 500 projects are completed in the final year of the Five-year plan. In this case, the construction period for each project would be five years. The other is to launch 100 projects each year and concentrate the construction funds, so that 100 projects are completed each year during the five-year period. In this way, the construction period for each project can be greatly shortened. It can be seen that Chairman Mao's principle of concentrating forces to fight a war of annihilation is not only an effective method of combat in military affairs but also a principle that must be followed when formulating capital construction plans. The fact that some departments and units sometimes fail to implement this principle properly is due to the influence of sectarianism that disregards the overall situation, as well as insufficient awareness of the harmful consequences of violating the principle. To implement this principle, we must strengthen publicity and education concerning the principle of concentrating forces to fight a war of annihilation and struggle against the views and practices that take account only of local needs while disregarding the interests of the whole.

Fourth, work of planning the national economy must combine long-term plans (five-year plans and ten-year and twenty-year long-term plans) with short-term plans (annual plans, quarterly plans, and monthly plans). Without long-term plans, it is difficult to make systematic arrangements for capital construction. Long-term plans embody long-range goals, preventing people's vision from being limited to merely the next step, enabling them to stand high and see far, and inspiring them to work with greater vigor. The workers put it well: "Without a great goal in one's heart, even a straw can bend one's back; with a great goal in one's heart, even Mount Tai pressing down overhead cannot make one bend." But long-term plans must be concretized through short-term plans in order to be implemented, grasped in practice, and readily checked and evaluated during execution. Only in this way can the realization of long-term plans avoid coming to nothing.

Planning in the socialist collective ownership economy has its own characteristics. The collective ownership economy must follow the leadership of the state's unified economic plan, but without violating the state's unified planning, policies, or laws and regulations, it may retain greater flexibility and independence. This makes it possible to adapt measures to local

conditions, fully mobilize the enthusiasm and initiative of the collective economy to develop socialist production, and enable the collective economy to achieve rapid development.

Chapter Five: Socialist Agriculture and Industry

Section One: Agriculture Is Foundation of National Economy

Fundamental Role of Agriculture in the Socialist National Economy

Agriculture and industry are the two main material production sectors of the socialist national economy. Analyzing how these two major sectors depend on and constrain each other, and exchange activities with one another in accordance with certain laws, is an important issue in studying the proportional distribution of total social labor within the national economy.

"**Agriculture as the foundation and industry as the leading force**" is the general policy for developing our socialist national economy personally formulated by Chairman Mao. Why must the development of the socialist national economy have agriculture as the foundation, with industry as the leading force? What consequences would arise otherwise? To understand this issue, it is essential to understand the relationship between agriculture and industry, and especially why agriculture is the foundation of the national economy.

Why is agriculture the foundation of the national economy? The simplest reason is that, before engaging in production or cultural and social activities, people must first obtain the necessary means of subsistence and solve the problem of food. Without labor devoted to the production of material means of subsistence, all other labor or activities would be out of the question. Marx pointed out: "**All labor is primarily and initially directed toward the**

appropriation and production of food."[1] Agricultural labor is precisely labor devoted to the production of means of subsistence—the labor that provides food—and is the most essential condition for human survival and all production.

Only after agricultural production has developed to a certain extent can other national economic sectors besides agriculture emerge. Agriculture was originally the only production sector in the early stages of human society. At that time, although there was labor devoted to making tools for agricultural production and to weaving, this industrial labor and agricultural labor were not originally separate. If we also call the economy of that time the national economy, then agriculture was the only sector of the "national economy" at that time. Under what circumstances did the other sectors of the national economy, apart from agriculture, subsequently arise? Marx pointed out: the total labor that part of society devoted to agriculture "**must suffice to produce the necessary subsistence for the whole of society, that is, for non-agricultural laborers too. This means therefore that the major division of labor between agricultural and industrial must be possible.**"[2] Marx's historical summary of the emergence of the social division of labor clearly tells us that the other sectors of the national economy could arise only after agricultural labor productivity had increased to a certain level. Therefore, a certain degree of development in agricultural production is the basis on which the other sectors of the national economy can become independent.

After certain production sectors have become independent from agriculture, their further development must still be based on agricultural development. This is because only an increase in agricultural labor productivity can make it possible to provide society with more means of subsistence and labor power, thereby meeting the needs of other sectors' development. Suppose that the country has 400 million workers, of whom 300 million must be engaged in agricultural labor to address the problem of food and provide other necessary means of subsistence; then only 100 million workers remain available for other activities. Now suppose that agricultural labor productivity increases, so that, among the same 400 million workers, only 100 million are needed to engage in agricultural production; then 300 million workers can engage in other kinds

---

[1] Karl Marx, "Chapter 37. Introduction," in *Capital*, Vol. III.

[2] Ibid.

of labor or activities. As Marx pointed out: "**The less time the society requires to produce wheat, cattle etc., the more time it wins for other production, material or mental.**"[1] When analyzing the laws governing the development of the capitalist economy, Marx once divided society's total labor into two parts: necessary labor and surplus labor. He called labor such as agricultural labor, which provides the entire society with material means of subsistence, necessary labor.[2] This also applies under socialism. Within the total social labor time, only when the productivity of agricultural labor, as necessary labor, increases and the time required for this necessary labor is reduced can the time available for other production increase. This shows that increased agricultural labor productivity remains the foundation for the further development of other sectors of the national economy.

Agriculture is the foundation of human survival and the basis for the independence and further development of other sectors of the national economy; this is an objective economic law governing the development of human society. Marx pointed out: "**An agricultural labor productivity exceeding the individual requirements of the laborer is the basis of all societies.**"[3]

In the capitalist world, we often see that some countries have relatively developed industry, while agriculture is relatively backward or even barely exists. Does this mean that the development of capitalist production can dispense with agriculture as its foundation? No! The development of capital is based not only on the agriculture of its own country but, under certain conditions, also on foreign agriculture. Some capitalist countries have obtained agricultural products through foreign trade, particularly by exploiting and plundering the masses of people in colonial and semi-colonial countries, thereby laying the foundation for the development of their domestic industries. Marx viewed the capitalist world as an organically interconnected whole. He pointed out: "**A definite stage in the development of agriculture, whether in the country concerned or in other countries, forms the basis for the development of capital.**"[4]

---

[1] Karl Marx, "The Chapter on Money," in *Grundrisse*, *Foundations of the Critique of Political Economy (Rough Draft)*, (Penguin Books, 1973).

[2] Karl Marx, "Chapter 37. Introduction," in *Capital, Vol.* III.

[3] Karl Marx, "Chapter 47. Genesis of Capitalist Ground-Rent," in *Capital, Vol.* III.

[4] Karl Marx, "Chapter II: The Physiocrats," in *Theories of Surplus Value*, (Progress Publishers).

The economy of contemporary Soviet revisionist social imperialism is no exception. In order to realize its ambition to dominate the world, the Soviet revisionists have frantically developed their military industry and expanded their armed forces in preparation for war, creating a situation in which agriculture is seriously backward; this situation, in turn, necessarily determines that they must simultaneously base themselves on foreign agriculture.[1]

The foundational role of agriculture in the socialist national economy is more evident than in any previous society. This is because socialist public ownership closely links all sectors of the national economy into an integrated whole. In order to meet the needs of society as a whole, the state can coordinate and arrange the labor of all sectors in a planned and proportionate manner. This shows that, for the first time in history, people have been able to consciously apply the objective law that agriculture is the foundation. The socialist economy is also an economy of independence and self-reliance; its development must be based on the development of domestic agriculture. Thus, agriculture's role in the development of the national economy as a whole has become even more prominent.

The development of the national economy in a socialist state must be based on agriculture, as can be clearly seen from the following aspects.

If we examine socialist agricultural production from the perspective of direct social production, it is a process of planned production of specific use values such as grain, non-staple food, and industrial raw materials. The grain and non-staple food produced through this process not only meet the living needs of agricultural laborers themselves but also provide food for all non-agricultural laborers in society. As agricultural production develops, the grain and non-staple

---

[1] In terms of the Soviet Union's population, the contradiction between grain production and demand is extremely serious. In 1975, the Soviet Union's total grain output fell to approximately 137 million tons, one-third below the planned target. In normal years, there was an annual grain shortfall of more than 10 million tons. To resolve the crisis, the Soviet revisionists made every effort to snap up grain on the world market. According to reports, in 1969 the Soviet revisionists imported more than 10 million tons of grain; from the winter of 1972 through the first half of 1973, they imported nearly 30 million tons; and during the following two years, they had to import more than 20–30 million tons of grain every year. The Soviet revisionists also plunders large quantities of agricultural and sideline products from abroad, turning Bulgaria, Hungary, Cuba, Mongolia, and other member countries of the Comecon into their supply bases for agricultural products and their orchards and vegetable gardens. Take livestock products, for example: the Soviet revisionists has long been plundering Mongolia. From 1961 to 1965, the Soviet revisionists imported as many as 5.5 million head of live livestock from Mongolia each year; since the beginning of the 1970s, the figure has exceeded 10 million head annually. Such plunder forced the Mongolian people's meat consumption to fall from 125 kilograms in 1960 to 101 kilograms in 1972. In 1975, the Mongolian authorities had to ask the people at home to switch to eating wild animal meat in order to address the shortage of meat supplies.

food supplied to society increase accordingly, thereby enabling society's various undertakings to develop correspondingly and improving people's standard of living accordingly.

At the same time, socialist agricultural products—especially cash crops—are also an important source of industrial raw materials. Heavy industry requires certain agricultural products as raw materials, while light industry requires even larger quantities of agricultural products as raw materials. At present, approximately 70% of the raw materials used by our country's light industry come from agriculture.

If we view socialist agricultural production from the perspective of commodity production, agriculture and industry are reciprocal markets in commodity exchange. The more grain and raw materials agriculture supplies to society, the greater the corresponding increase in industrial products sold to rural areas. As agriculture gradually achieves mechanization and peasants' lives continue to improve, the role of the countryside as an important market for industrial products will inevitably become increasingly evident. This extremely broad agricultural market is an important source of the capital accumulation necessary for industrial development.

Furthermore, part of the value created by agricultural labor is also provided to the state, in the form of agricultural tax payments, as necessary capital accumulation.

Socialist agriculture is also the main source of labor power for industry and other sectors. The development of industry, the transportation industry, and commerce requires an increase in labor power. Apart from relying on efforts within these sectors to raise labor productivity and use the labor power saved to meet continuously growing needs, this labor power is provided mainly by the agricultural sector. The expansion of the workforce in industry and other sectors depends on the quantity of agricultural products produced by agricultural laborers in excess of their own consumption, and on the improvement of agricultural labor productivity.

The prominent role of agriculture in the socialist national economy requires people to grasp and apply more consciously the law that agriculture is the foundation, and to use it in the service of building socialism. Agriculture is the foundation of the national economy. In capitalist society, this law is realized under the commodity system as an alien force confronting people. In capitalist society, capital shifts into agriculture on a large scale, thereby enabling agricultural

production to develop, only when the agricultural sector is profitable. Under socialism, although agriculture's foundational role in the national economy is still expressed through commodity-money relations and cannot escape their constraints as it can at the higher stage of communism, the establishment of socialist public ownership means that this foundational role of agriculture, expressed through the commodity system, is in general governed by the law of planned proportional development of the national economy. It has become possible to allocate agricultural labor according to plan within total social labor. The great transformation of ownership shows that, for the first time in human history, it has become possible to apply the objective law that agriculture is the foundation with a relatively high degree of consciousness.

The planned allocation of socialist agricultural labor is intertwined with commodity-money relations. Most obviously, the scale of agriculture's foundational role is reflected to a considerable extent in the level of the commodity rate of agricultural products. Socialist agriculture produces two types of products: one part meets the subsistence needs of individual peasants and collectives, while the other consists of commodities supplied to meet the needs of non-agricultural laborers throughout society. The greater the volume of agricultural commodities —that is, the higher the commodity rate of agricultural products—the greater agriculture's contribution to industry and other sectors of the national economy. Assuming that people's consumption levels of grain and non-staple food remain unchanged, the amount of marketable grain and non-staple food agriculture can provide determines how much labor power industry and other sectors can absorb; the quantity of agricultural raw materials and cash crops supplied as commodities determines the scale of development of those industrial production sectors that use agricultural products as raw materials. The development of agricultural commodity production means an increase in the monetary income of collective peasants, and thus an increase in their purchasing power for industrial products; in other words, the level of the commodity rate of agricultural products also determines, to a certain extent, the size of the market for industrial products.

Agriculture and industry serve as each other's markets in commodity exchange; therefore, an increase in the commodity rate of agricultural products also promotes the development of the socialist commodity economy as a whole. This, in turn, is bound to enable

the socialist state to accumulate more funds for extended reproduction, thereby making it capable of accelerating the pace of socialist construction.

Viewed from the process of socialist production and reproduction, the subsistence needs of collective peasants is always a prerequisite; otherwise, reproduction cannot proceed. As agricultural production develops, both the self-supplied and commodity portions will increase correspondingly in absolute terms. Since the subsistence portion is subject to certain limits, the commodity portion will, relatively speaking, always increase somewhat faster. In society as a whole, the commodity rate of agricultural products varies from one locality to another, and changes in the level of production will also affect changes in the commodity rate. If the state does not proceed from local realities and procures too many agricultural products, this will affect the satisfaction of peasants' subsistence needs and undermine peasants' enthusiasm for production, thereby also affecting the consolidation of the worker-peasant alliance. Conversely, if one considers only peasants' subsistence need while disregarding the needs of the state and society as a whole for agricultural commodities, this will weaken the role that agriculture ought to play and affect the pace of socialist construction, thereby likewise affecting the consolidation of the worker-peasant alliance. Thus, the issue of the proportion between the two portions of agricultural products also involves correctly handling the relationship among the state, the collective, and individual peasants.

At different stages of the revolutionary development, Chairman Mao systematically and incisively discussed the proportion of agricultural labor within total social labor, as well as how to develop agriculture. As early as January 1934, Chairman Mao pointed out: "**Agriculture occupies first place in our economic construction.**"[1] In 1945, in his report, "On Coalition Government," Chairman Mao provided a detailed analysis of agriculture's foundational role, pointing out: "**It is the peasants who are the source of China's industrial workers. In the future, additional tens of millions of peasants will go to the cities and enter factories.**" "**It is the peasants who constitute the main market for China's industry. Only they can supply foodstuffs and raw materials in great abundance and absorb manufactured goods in great**

[1] Mao Zedong, "Our Economic Policy," in *Selected Works of Mao Zedong*, Vol. I, 142.

quantities."[1] In 1948, in his speech at a conference of cadres in Shansi-Suiyuan Liberated Area, he addressed the issue of agriculture's foundation even more explicitly. Chairman Mao said: "**The abolition of the feudal system and the development of agricultural production will lay the foundation for the development of industrial production and the transformation of an agricultural country into an industrial one.**"[2] After our country entered the stage of the socialist revolution, Chairman Mao repeatedly elaborated on the idea that agriculture is the foundation of national economic development. He repeatedly stressed that, throughout the national economy, the development of agriculture must be given top priority: "**Without agriculture there can be no light industry.**"; "**As agriculture and light industry develop, heavy industry, assured of its market and funds, will grow faster.**"[3] Later, Chairman Mao successively put forward a series of brilliant ideas, including developing industry and agriculture simultaneously and arranging the national economy in the order of agriculture, light industry, and heavy industry; he also summarized "agriculture as the foundation and industry as the leading force" as the general policy for developing the national economy.

Chairman Mao repeatedly urged us to attach importance to agriculture and to "**build up ample grain reserves**," warning us that we cannot depend on foreign countries for food. If we depend on foreign countries for food, independence and self-reliance are just empty words.

Chairman Mao's important expositions on agriculture, light industry, and heavy industry have enriched and developed the basic principles of Marxist political economy, revealed the intrinsic connection between agriculture and industry under socialism, theoretically armed the broad masses of the cadres and the masses, and pointed the way forward for opposing revisionism and preventing revisionism and for building socialism with greater, faster, better, and more economical results.

The practice of China's socialist construction shows that when socialist agriculture is managed well and advances rapidly, it can provide more grain, non-staple food, and raw

---

[1] Mao Zedong, "On Coalition Government," in *Selected Works of Mao Zedong*, Vol. III, 300.

[2] Mao Zedong, "Speech at a Conference of Cadres in Shansi-Suiyuan Liberated Area," in *Selected Works of Mao Zedong*, Vol. IV, 238.

[3] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

materials, continually expanding the important rural market, while all sectors of the national economy can also develop more rapidly. Conversely, when agriculture is poorly managed and advances slowly, other sectors will likewise develop slowly. The Great Leap Forward in the national economy that began in China in 1958 started with the Great Leap Forward in agriculture. During the Three Years of Natural Disasters, agricultural harvests failed and the supply of commercial crops declined, considerably affecting the development of all sectors of the national economy. Beginning in 1962, agriculture enjoyed successive bumper harvests year after year, and China's industry and other sectors of the national economy accordingly began to show vigorous development.

Fundamental Solution for Agriculture Lies in Mechanization

Under socialism, the soaring development of agriculture can propel the entire national economy forward by leaps and bounds. By consciously applying the law that agriculture is the foundation, people must give priority to agricultural development and rapidly increase agricultural labor productivity. Socialist states with a low degree of agricultural mechanization and a low level of productive forces should pay especially great attention to developing agriculture. Our country was originally a backward agricultural country. The revolution in agricultural production methods involved not only achieving agricultural collectivization, but also achieving agricultural mechanization on the basis of collectivization. On the basis of the vast sea of scattered small peasant economy, it was fundamentally impossible to use machinery for cultivation; therefore, agricultural collectivization is the prerequisite for agricultural mechanization. On the basis of agricultural collectivization, peasants had both the conditions and the demand to transform their means of production, adopt machine cultivation, and develop the productive forces as quickly as possible. Thus, agricultural mechanization is also the inevitable trend of agricultural collectivization.[1] The practice of the international communist movement has

[1] The agricultural mechanization discussed here refers to agricultural modernization. It includes the complete use of machinery in all departments and areas of agriculture, forestry, animal husbandry, sideline production, fisheries, and any other sectors capable of using mechanized operations, as well as the adoption of chemical fertilizers, pesticides, and other advanced agricultural means of production.

proved that if collectivization is not properly carried out, then even if machine cultivation is adopted, agriculture will still fail to advance. As a result, not only will the problem of feeding the people remain unresolved, but stratification will also rapidly emerge in the countryside, and capitalist forces will inevitably regain the opportunity to develop. The poor and lower-middle peasants in our country put it well: Without collectivization, there will be stratification; without mechanization, collectivization cannot be consolidated, and stratification will occur again.

China's agriculture has basically completed the Socialist transformation of ownership. On the basis of continuously consolidating the People's commune collective economy, arming agriculture with Modern large-scale machinery and Science and technology in order to rapidly raise agricultural labor productivity became an inevitable trend. Chairman Mao pointed out as early as 1955, when a socialist upsurge emerged in China's rural areas: "**The social and economic features of China will not be completely changed until the socialist transformation of the social and economic system is completely accomplished and, in the technical field, machinery is used in all possible branches and places.**"[1]

The continuous consolidation and improvement of the collective ownership of Rural people's communes cannot be separated from the continuous development of the productive forces. "**The fundamental solution for agriculture lies in mechanization**"—this is precisely where its significance lies.

> Dazhai Brigade, Xiyang County, Shanxi Province, after years of effort in advancing toward agricultural mechanization, had acquired more than eighty agricultural machines by 1975. The annual amount of work completed by these machines was equivalent to that performed by more than 80,000 person-hour, effectively increasing the brigade's labor power by one and a half times.
>
> Achieving agricultural mechanization—using machines for plowing, sowing, mechanical harvesting, transportation, and other tasks—can increase agricultural labor productivity severalfold, tenfold, or even a hundredfold, gradually freeing peasants from strenuous physical labor and greatly reducing the need for labor power.

The conditions for agricultural production differ from those of industry and are often influenced to a considerable extent by natural conditions. However, "Man can conquer nature."

---

[1] Mao Zedong, "Co-operative Transformation of Agriculture," in *Selected Works of Mao Zedong*, Vol. V, 203

With the development of agricultural mechanization, the situation of relying on the weather for a living can be continuously changed, making it possible to achieve stable and high agricultural yields.

> The predecessor of Xipu Brigade in Zunhua County, Hebei Province, was the cooperative led by Wang Guofan, which became famous throughout the country during the cooperativization movement. When they established the cooperative, the poor and lower-middle peasants demonstrated the "barefoot spirit" of the poor, overcoming the severe shortage of means of production during the cooperative's initial period. After establishing the cooperative and the people's commune, they continue to carry forward this "barefoot spirit" and embarked on agricultural mechanization. Over the three years from 1971 to 1973, this brigade used its own accumulated funds to purchase more than 170 items of various agricultural machinery. As agricultural mechanization advanced rapidly, their ability to withstand disasters grew stronger, and agricultural production achieved stable and high yields year after year. In 1970, grain yield per mu surpassed the "Yangtze River," and in 1974, yield per mu reached 1,350 jin (10,125 kg/ha).
>
> Beginning in 1956, Shanghai County, Shanghai Municipality, spent eight years focusing on solving the problem of irrigation and drainage mechanization; over the following three years, it basically achieved mechanization of threshing, agricultural and sideline products processing, and feed processing; then, over another four years, it concentrated on ploughing mechanization, bringing the area under mechanized plowing to 80%; thereafter, it spent another three years and basically achieved mechanization of paddy field operations. By the end of 1974, the county has more than 2,000 tractors of various sizes and types, averaging one tractor for every 190 mu of land; electromechanical irrigation has been achieved on 98.3% of the county's land. Plant protection, rice and wheat threshing, agricultural and sideline products processing, and long-distance land and water transport have also achieved mechanization or semi-mechanization; mechanization of seedling pulling, rice transplanting, rice weeding, and harvesting is also developing rapidly. Mechanization continuously advanced the level of agricultural production. Since 1970, more than 180,000 mu (12,000 hectare) of grain fields has adopted a three-crop system, and the annual grain yield per mu, beginning in 1973, exceeds the targets of the Program for two consecutive years.

Agricultural mechanization can greatly increase labor productivity and drive agricultural production forward in both depth and breadth. Since the purchase of large and medium agricultural machinery requires considerable funds, and since its use must be centrally arranged within the scope of a brigade or commune in order to fully realize its benefits, the development of agricultural mechanization will inevitably strengthen and expand the collective economy at the commune and brigade levels, continuously increase the degree of public ownership in the People's commune collective economy, thereby helping to narrow the differences between

production teams, promoting the transition from the current production team basic ownership to brigade basic ownership, helping to transform the traditional ideas and old habits of small-scale production, and helping to restrict bourgeois right.

The realization of agricultural mechanization will be of far-reaching significance for the gradual narrowing of the difference between workers and peasants and the difference between urban and rural areas. The improvement of agricultural labor productivity will provide a solid foundation for industrial development; industrial development, in turn, will further support and promote the mechanization of agriculture. The mutual promotion between workers and peasants will further consolidate the worker-peasant alliance under the leadership of the working class on a new basis. In the process of socialist agricultural mechanization, the struggle between the two classes, two roads, and two lines is pervasive. During the Great Proletarian Cultural Revolution, the claims promoted by Liu Shaoqi and his clique—that "China has many people and little land, so mechanization is unnecessary," that "mechanization is impossible in mountainous areas," and that "intensive cultivation cannot be mechanized"—have been criticized, the fallacies opposing technological transformation in agriculture have been refuted, Chairman Mao's series of directives on agricultural mechanization have became further entrenched in the people's minds, and the enthusiasm of the relevant departments and the broad masses of peasants for developing agricultural mechanization have increased greatly. With the rapid development of China's industry, particularly local small-scale industry, and the vigorous support for agriculture strengthened by all sectors, under the guidance of the Party's basic line and the correct policy formulated by the Central Committee of the Party—to prioritize local manufacturing of agricultural machinery, to focus on small and medium-sized agricultural machinery products, and to make collective purchasing of agricultural machinery—rapid development in agricultural mechanization has been achieved.

> Compared with 1965, rural electricity consumption in China increased 2.8-fold in 1973; chemical fertilizer application increased by nearly 1.9-fold; the number of tractors (units) increased 2.2-fold, the number of walking tractors increased 74.8-fold, and the actual mechanized plowing area expanded by approximately 70%; power-driven irrigation and drainage machinery also increased 2.8-fold. More than 90% of the counties nationwide had agricultural machinery repair and manufacturing plants.

Learn From Dazhai in Agriculture

To enable agriculture to fully perform its foundational role, agricultural mechanization must be achieved on the basis of consolidating and developing agricultural collectivization; and to achieve agricultural mechanization and develop agricultural production, revolution must be put in command. Dazhai Brigade of Dazhai People's Commune in Xiyang County, Shanxi Province, is a banner of China's rural areas: after basically completing the socialist transformation in ownership of the means of production, it adheres to continued revolution under the dictatorship of the proletariat and built socialist agriculture with build socialism with greater, faster, better, and more economical results. It is a model for developing socialist agriculture in accordance with Chairman Mao's proletarian revolutionary line. "**Learn from Dazhai in agriculture**" is the great call issued by Chairman Mao.

> Before agricultural collectivization, the Dazhai Brigade was a desperately poor mountainous area with extremely poor production conditions: "seven ravines, eight ridges, and one slope," where "the mountains were high and rocky, one had to climb as soon as one left home, not three mu of land was level, and disasters occurred year after year." The entire Dazhai Brigade had only eighty-three households, totaling just over 450 people, yet between 1971 and 1974 they removed thirty-three large and small hilltops, filled in fifteen gullies, moved nearly 700,000 cubic meters of earth and stone, consolidated the original more than 4,700 plots of land into 2,900 plots, and then transformed them into 1,500 plots. The Dazhai Brigade now has quite a number of "man-made small plains," and half of its land can already be cultivated mechanically. Through mountain and land improvement, the people of Dazhai changed the conditions of production, bringing about a major transformation in the appearance of production.
>
> Before liberation, Dazhai's average grain yield per mu was less than 100 jin (750 kg/ha), and its highest total output was 80,000 jin (40 tons). In 1974, total output reached 770,000 jin (385 tons). Income from forestry, animal husbandry, and sideline production in 1974 is 76 times that at the beginning of cooperativization in 1955. That same year, the total income of the entire brigade reached more than ¥194,800, an increase of more than tenfold over 1955. From 1955 to 1958, Dazhai sold an average of 105,000 jin (50.3 tons) of grain to the state each year; from 1959 to 1970, the annual average was 245,000 jin (122.5 tons); and from 1971 to 1974, it was 330,000 jin (165 tons) per year. The latter figure is already more than three times Dazhai's total grain output before liberation.

With the development of agricultural productivity, the increasing commodity rate of agricultural products in the Dazhai Brigade fully demonstrates agriculture's role in promoting industry and the entire national economy.

Why did the Dazhai Brigade undergo such tremendous changes? The key lies in the fact that, under the leadership of the Party branch, the Dazhai Brigade adheres to taking class struggle as the key link, to the Party's basic line, and to the continued revolution under the dictatorship of the proletariat, thereby using revolution to drive the great development of production. Dazhai consistently adheres to the Party's basic line, continuously waging resolute struggles against revisionism and capitalism, and consolidating and developing the collective economy; it persists in educating the peasants with Marxism-Leninism and Mao Zedong Thought, striving to eliminate the influence of the bourgeoisie and other exploiting classes and to break with the traditional concepts of small-scale production; it carried out in depth the revolution in the superstructure and relations of production, continuously restricting bourgeois right, and exercising all-round dictatorship over the bourgeoisie.

> Around 1961, Liu Shaoqi, Deng Xiaoping, and their associates collaborated with the Soviet revisionists during their frenzied anti-China campaign and, taking advantage of three consecutive years of severe natural disasters at home, whipped up an evil wind of restoration of capitalism. Some people said: "In such difficult times, perhaps we could give individual farming a try!" The poor and lower-middle peasants of the Dazhai Brigade said: "We have already tried it for generations, shedding so much blood and tears. Surely we have not tried it enough yet?!" At that time, some people even came to Dazhai offering high prices to buy its forage, but Dazhai refused to sell it, selling only at the standard price. In 1963, catastrophic floods left Dazhai with destroyed land and collapsed houses. The state sent relief funds and supplies, but the poor and lower-middle peasants of the Dazhai Brigade stubbornly refused them. If they developed the idea of relying on the state handout, they would lose the idea of relying on the masses, on the collective strength of socialism, and on hard struggle; rebuilding Dazhai would consequently proceed more slowly. During the socialist education movement in 1964, the work team implemented the infamous "Taoyuan experience" in Dazhai. The poor and lower-middle peasants of the Dazhai Brigade sensed that something was wrong and firmly resisted it. During the Great Proletarian Cultural Revolution, the anti-Party clique of Lin Biao, in order to conceal its counterrevolutionary nature, made extensive use of double-dealing tactics and, for a period, conducted formalist activities everywhere. However, the poor and lower-middle peasants of the Dazhai Brigade felt that these activities had no practical use in daily life and simply refused to carry them out. Through the Great Proletarian Cultural Revolution, Liu Shaoqi's and Lin Biao's counterrevolutionary revisionist lines have been thoroughly criticized, and a great victory has been

achieved. However, in 1975, Deng Xiaoping, the chief representative of the bourgeoisie within the Party, again vigorously propagated "the theory of the extinction of class struggle" and "the theory of the productive force determinism." The Party branch of the Dazhai Brigade firmly withstood this right-deviationist tendency to reverse verdicts, resolutely leading the masses to persist in taking class struggle as the key link, persist in studying the works of Chairman Mao, and engage in extensive criticism of revisionism and capital. At the same time, it mobilized the masses to comprehensively sum up their experience in the struggle to restrict bourgeois right, educated the cadres and the masses to become promoters of the restriction of bourgeois right, worked hard to eradicate the soil that breeds capitalism and the bourgeoisie, and actively consolidated and developed socialist new things.

The path followed by Dazhai is not simply one of mountain and water control, nor is it merely a path of increasing grain yields. Its experience is extremely rich. If summed up in one point, it means always grasping class struggle as the key link, combating revisionism on a large scale, combating capitalism on a large scale, and vigorously building socialism. In learning from Dazhai in agriculture, the first and foremost task is to learn this fundamental experience and resolve the question of the direction and path of agricultural development. Whether agriculture learns from Dazhai makes a great difference. Countless examples show that if one does not learn from Dazhai, production is pursued merely for production's sake, and production cannot advance. Once one learns from Dazhai, grasps proletarian politics, and uses revolution to command production, people's spiritual outlook undergoes a profound change, and the face of agricultural production is completely transformed.

Before the Great Proletarian Cultural Revolution, Xiyang County, where the Dazhai Brigade is located, was disrupted and undermined by Liu Shaoqi's revisionist line. It did not earnestly carry out the mass movement to Learn from Dazhai in agriculture, and agricultural production developed very slowly. During the Great Proletarian Cultural Revolution, the broad masses of poor and lower-middle peasants and revolutionary cadres in Xiyang County have thoroughly criticized Liu Shaoqi's counterrevolutionary revisionist line, vigorously and conscientiously carried out the movement to Learn from Dazhai in agriculture, and resisted the disruption and sabotage of Lin Biao's revisionist line. The people of the entire county begin to battle heaven and earth and remake the mountains and rivers. As a result, the the county's terrain has undergone tremendous changes, and agricultural production developed rapidly. In 1966, the county's total grain output was more than 80 million jin (40,000 tons). It began learning from Dazhai in 1967, and by 1969 total output had soared to 160 million jin (80,000 tons)—doubling in three years—and the yield per mu exceeded the targets set out in the Program. From 1972 to 1975, despite three consecutive years of severe drought, the county still achieved high yields. In 1975, total grain output reached more than

239 million jin (119,500 tons), three times the highest annual output before the Great Proletarian Cultural Revolution; grain sold to the state reached 80 million jin (40,000 tons), an increase of more than tenfold over the highest amount delivered before the Great Proletarian Cultural Revolution.

Before the Great Proletarian Cultural Revolution, Jinshan County, Shanghai, likewise made slow progress in agricultural production because of interference from the revisionist line. In 1965, its grain yield per mu was only 919 jin (6,892 kg/ha), more than 10% below the average yield per mu of Shanghai's ten suburban counties. In 1970, the county Party committee put forward the slogan, "Work hard and fight hard for three to five years, and vow to turn Jinshan into Dazhai." However, after two years of carrying out this effort, in 1970 and 1971, production still made little progress. Where exactly did the problem lie? Through in-depth investigation and study and the analysis of typical examples, they discovered that the fundamental reason was that, in learning from Dazhai, they had failed to learn Dazhai's fundamental experience. For example, the Ba'er Brigade and Yongjiu Brigade, both belonging to Jinwei People's Commune in the same county, are adjacent villages with contiguous fields. Both had originally been advanced units in learning from Dazhai, but around 1970 they diverged. The Ba'er Brigade adhered to the Party's basic line, vigorously pursued class struggle, conscientiously implemented the policies of "**agriculture as the foundation and industry as the leading force**" and "**grain as the key link and all-round development**," worked hard and fought hard, practiced scientific farming, and advanced step by step in learning from Dazhai. In 1971, its grain yield per mu reached 1,838 jin (13,785 kg/ha). The Yongjiu Brigade, however, relaxed its efforts in class struggle at that time; capitalist tendencies emerged, money was valued over grain, and labor flowed out. As a result, collective grain production declined and commune members' incomes fell. After summing up these typical experiences, the Jinshan County Party committee strengthened Party leadership, persisted in taking class struggle as the key link, and paid attention to educating people with Mao Zedong Thought. By grasping the line and promoting hard work, it accelerated the pace of agricultural production development. The Yongjiu Brigade also caught up. In 1974, the county's grain yield per mu reached 1,554 jin (11,655 kg/ha), an increase of 272 jin (136 kg) over 1971; lint cotton yield per mu was 141 jin (1,058 kg/ha); rapeseed yield was 283 jin per mu (2123 kg/ha), and the live pig inventory was 790,000 head (an average of 1.37 head per mu), all representing considerable increases over 1971. In recent years, on average, each agricultural worker provided the state annually with 850 jin (425 kg) of commodity grain, 22 jin (11 kg) of lint cotton, 23 jin (11.5 kg) of edible oil, and 1.06 pigs for meat.

The experience of Xiyang County and Jinshan County in Learning from Dazhai in agriculture is: "Unless the road to capitalism is blocked, it is impossible to take steps toward Learning from Dazhai"; as long as we follow Dazhai's example, firmly implement the Party's basic line, persist in continued revolution under the dictatorship of the proletariat, adhere to the socialist path, continuously criticize revisionism and capitalism, restrict bourgeois right, and arm the broad masses of cadres and commune members with Mao Zedong Thought, we can generate an overwhelming force, overcome any human difficulty, create any human miracle, transform

unfavorable natural conditions into favorable ones, turn low yields into high yields, and make originally high yields even higher.

Through the Great Proletarian Cultural Revolution, the Criticize Lin, Criticize Confucius Movement, and the Criticize Deng, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend, the mass movement to Learn from Dazhai in agriculture has flourished. However, serious struggles still exist over the issue of learning from Dazhai in agriculture. Deng Xiaoping, the unrepentant capitalist-roader within the Party, sought to implement the Revisionist program of "three instructions as the key link," change the Party's basic line, and restore capitalism in the countryside. He maliciously attacked our agriculture for having "dragged industry down" and put forward the reactionary policy that "agriculture must be rectified." Deng Xiaoping's so-called "agriculture must be rectified" meant denying Dazhai's fundamental experience of adhering to class struggle as the key link and resurrecting the black merchandise of "white cat and black cat." He absurdly claimed that "working honestly and conscientiously is learning from Dazhai," in a vain attempt to bring the mass movement to Learn from Dazhai in agriculture onto the revisionist track. Now, the mass movement to Learn from Dazhai in agriculture is advancing victoriously amid the great struggle to criticize Deng Xiaoping and counter the right-deviationist tendency to reverse verdicts.

In the Learn from Dazhai in agriculture movement, the number of Dazhai-type counties, communes, and brigades across the country continued to grow, and areas where low yields became high yields and high yields became even higher yields emerged in large numbers. In 1975, China already had more than 300 advanced counties that had learned from Dazhai; the number of provinces and municipalities whose grain yield per mu had reached the Program's target had increased to nine. Hebei, Shandong, and Henan provinces, which had historically suffered frequent disasters and grain shortages, have achieved grain self-sufficiency with a surplus. The Tibetan Plateau, located on the "roof of the world," has also achieved grain self-sufficiency since 1974. Deepening the Learn from Dazhai in agriculture movement and bringing Dazhai's flowers into bloom throughout the country will surely further consolidate the socialist position in the countryside, accelerate the development of agricultural production, and enable agriculture to play a greater foundational role in China's national economy.

Section Two: Industry is the Leading Force of National Economy

Leading Role of Industry in Socialist National Economy

Since agricultural labor that provides the necessary means of subsistence for the whole society within total social labor is socially necessary labor, does that mean that industrial labor is entirely social surplus labor? If industrial labor is social surplus labor, does that not mean that industrial labor is therefore unimportant in the national economy?

In the history of economic thought, there was a Physiocratic School. Its members recognized the importance of agriculture. After criticizing the mercantilists' mistaken view that wealth originates from foreign trade, they shifted the study of the origin of surplus value from the sphere of circulation to the sphere of production, which was a step forward. However, the physiocrats believed that only agricultural labor creates wealth, whereas labor in all other sectors can merely change the form of objects and cannot increase their quantity in any way. They also sought to provide examples to prove this: textile workers spin cotton into yarn and weave it into cloth, while millers grind wheat into flour; all they do, they argued, is change the form of objects, without increasing their quantity in the slightest. From this they drew the erroneous conclusion that only those in the agricultural sector are the "productive class," while those in the industrial sector are the "unproductive class."

On the basis of his critique of the Physiocratic School, Marx revealed that both industrial labor and agricultural labor are metabolic processes between humans and nature, that both are productive labor, and that industry and agriculture are both material production sectors. Agriculture is the foundation of the national economy. This demonstrates the important position of agriculture in the national economy, but agricultural development is by no means isolated. Even before industry became an independent sector separate from agriculture, agricultural development could not do without the manufacture of tools. Marx pointed out: "**Hunting,**

fishing and agriculture were impossible without suitable tools."[1] The manufacture and use of the means of production were not only the decisive conditions enabling human beings to leave the animal kingdom, but also played a tremendous role in the development of the entire national economy, including agriculture. The history of the development of the means of production in human society proves that, as stone tools developed into metal tools, social production transitioned from hunting and gathering to agriculture centered on crop farming; the continued improvement of metal tools led to the rapid development of handicrafts; and as hand tools developed into machine tools, manufacture transitioned into large-scale machine industry. Thus, Marx once pointed out: "**It is not the articles made, but how they are made, and by what instruments, that enables us to distinguish different economic epochs.**"[2] Since industry became an independent sector, and especially since the emergence of modern industry, industry's impact on agriculture and its role in the national economy as a whole have become even more significant. Modern industry not only uses machine production to provide society with large quantities of everyday industrial products, but also supplies agriculture and other sectors of the national economy with modern technological equipment, promotes technological transformation in agriculture, and drives the rapid development of the national economy as a whole.

An important characteristic of industrial production is that it produces not only consumer goods but also the special use value of mechanical means of labor. It is precisely this characteristic that determines the dominant position of industry in the national economy. The development of industry inevitably drives the modernization of the entire national economy and strengthens the material foundation for the technological transformation of the national economy. The level of industrial production reflects the level of a country's national economy. Under socialist conditions, the higher the degree of industrialization, the greater the material force available for the technological transformation of agriculture and the entire national economy.

The development of industry must be based on agriculture; the development of agriculture and the improvement of agricultural labor productivity, in turn, cannot be achieved without the leading role of industry. This is precisely the dialectical relationship of mutual

---

[1] Karl Marx, "Chapter 37. Introduction," in *Capital*, Vol. III.

[2] Karl Marx, "Chapter Seven: The Labour-Process and the Process of Producing Surplus-Value," in *Capital*, Vol. I.

dependence, mutual promotion, and mutual constraint between industry and agriculture in the national economy.

After analyzing the relationship between industry and agriculture in general, we must further examine the different positions and roles that heavy industry and light industry occupy in the national economy.

As mentioned above, industry is the leading force of the national economy—this refers to industry as a whole. In fact, the industry capable of playing this role should mean the industry that provides means of production, particularly means of labor. Different means of labor have played a role in the technological transformation of the national economy in different periods, driving its progress. Among the means of labor, production tools "**of a mechanical nature**," serve as the "**the bone and muscles of production**" and, compared with other means of labor, "**offer much more decided characteristics of a given epoch of production.**"[1] In the modern socioeconomic system, the industries producing mechanical means of labor are essentially heavy industries, such as the metallurgical, machinery, and electronics industries. They provide mechanical means of labor and other modern technical equipment to all sectors of the national economy. In the process of modernizing agriculture, light industry, and other sectors of the national economy through technological transformation, they can play a decisive role.

Under socialism, the leading role of heavy industry in the national economy can be brought into fuller play. This leading role is manifested in the following:

(1) Heavy industry produces large quantities of products such as water conservancy and power equipment, chemical fertilizers, pesticides, and agricultural machinery to support agriculture and carry out technological transformation, enabling agriculture to gradually achieve mechanization, transforming backward agriculture into modern agriculture, and promoting the continuous improvement of agricultural labor productivity.

(2) Heavy industry produces various types of machinery and raw materials for light industry, promotes the technological transformation of light industry and the continuous improvement of labor productivity, enables light industry to provide the people with more means of subsistence, and relatively reduces light industry's dependence on agricultural raw materials.

---

[1] Karl Marx, "Chapter Seven: The Labour-Process and the Process of Producing Surplus-Value," in *Capital*, Vol. I.

(3) Heavy industry also provides modern technological equipment for handicrafts, the transportation industry, the construction industry, national defense industries, and other sectors of the national economy, thereby promoting their technological transformation and development.

The leading role of industry is manifested by heavy industry; this does not mean that light industry is unimportant. Within industrial labor, one category, like agricultural labor, also consists of labor that produces means of subsistence. This industrial labor, which meets society's need for means of subsistence, is a continuation and supplement of agricultural labor. This industry producing means of subsistence mainly uses agricultural raw materials and some industrial raw materials, employs machine processing, and produces food, textiles, daily necessities, stationery, and other goods to meet people's needs for food, clothing, and everyday use. This industry is essentially light industry. Light industry is an indispensable industrial sector in modern society for maintaining the reproduction of labor power. Marx once said: "**Just as the labor of an individual workman breaks up into necessary and surplus labor, the aggregate labor of the working-class may be so divided that the portion which produces the total means of subsistence for the working-class (including the means of production required for this purpose) performs the necessary labor for the whole of society. The labor performed by the remainder of the working-class may then be regarded as surplus labor.**"[1] Marx then went on to point out: "**Just as a portion of agricultural labor is materialized in products which either minister only to luxury or serve as raw materials in industry, but by no means serve as food, let alone as food for the masses, so on the other hand a portion of industrial labor is materialized in products which serve as necessary means of consumption for both agricultural and nonagricultural laborers. It is a mistake, from a social point of view, to regard this industrial labor as surplus-labor. It is, in part, as much necessary labor as the necessary portion of the agricultural labor.**"[2] The portion of industrial labor to which Marx referred is essentially labor in light industry.

Based on Marx's discussion of dividing the labor of all members of society into necessary labor and surplus labor, since labor in light industry is also a form of necessary social labor, the

---

[1] Karl Marx, "Chapter 37. Introduction," in *Capital*, Vol. III.

[2] Ibid.

development of heavy industry, which embodies social surplus labor, must rely on the development of agriculture as its foundation and on the development of light industry as its prerequisite. Within the national economy, only the development of agriculture and light industry can promote the faster development of heavy industry.

To further understand the important role of light industry in the national economy, we can briefly examine the history of its emergence and development. Modern light industry, as we know, mainly comprises industries that use machinery to process grains and agricultural sideline products (including cash crops and livestock products). Before machine production was introduced, the processing of these products was carried out by independent handicrafts; before handicrafts separated from agriculture, it was performed by rural household industry. Farmers grew rice, wheat, and cotton and raised or hunted livestock and other animals. Only after threshing and rolling, milling, spinning and weaving, slaughtering, or leather processing could these products be transformed into food, clothing, and other goods for human use. If agriculture is the foundation of human survival and the basis on which other sectors of the national economy can become independent and develop, then under these conditions household industrial labor was originally naturally integrated with agricultural labor. When this household industrial labor separated from agriculture and became handicrafts, and later developed into modern light industry, it became an industry that helped agriculture fulfill its foundational role. Thus, Marx pointed out that this industry is "**a necessary mutual supplement to the specifically agricultural labor.**"[1]

In the socialist national economy, the importance of light industry is highly significant: the grain, cash crops, and other agricultural and sideline products produced by agriculture must be processed by light industry before they can provide industrial and agricultural workers with various necessary means of subsistence, meet society's needs for means of subsistence, and improve people's standard of living. Light industry also has such characteristics as low investment, rapid commissioning, and rapid capital turnover; as a process that creates value, light industry can provide the state with substantial capital accumulation within a relatively short period.

---

[1] Ibid.

According to Marx's theory of dividing the labor of all workers in society into necessary labor and surplus labor, workers in light industry and agriculture both perform necessary labor for the whole society. Does this mean that light industry has also become the foundation of the national economy? No. The raw materials for light industry come from agriculture; the labor power needed to develop light industry comes mainly from rural areas; and the domestic market for light industry is also primarily rooted in the countryside. Chairman Mao pointed out explicitly: "**Without agriculture, there can be no light industry.**" Although labor in light industry is also socially necessary labor that produces means of subsistence, in general, the development of light industry is still based on agriculture. In addition, the development of light industry requires heavy industry to provide technical equipment. Therefore, on the one hand, "**large-scale expansion of light industry requires the development of agriculture as well as of heavy industry.**"[1] On the other hand, the development of light industry is also agriculture's "necessary mutual complement," helping agriculture fulfill its foundational role and promoting the development of heavy industry.

Socialist Industrialization

The importance of industry to the national economy as a whole demonstrates the necessity for socialist states to develop industry and achieve socialist industrialization. Because of the uneven economic development of capitalist countries and the enslavement and plunder of the colonies and semi-colonies by imperialism, modern industry is relatively well developed in only a few major capitalist countries, while industry in most countries of the world—especially the colonies and semi-colonies—is relatively backward. After seizing political power, the proletariat in these industrially backward countries faces the major task of rapidly developing modern industry and achieving socialist industrialization in order to fully realize industry's leading role in the national economy and build a powerful socialist state with modern agriculture, modern industry, modern national defense, and modern science and technology.

---

[1] Mao Zedong, "Co-operative Transformation of Agriculture," in *Selected Works of Mao Zedong*, Vol. V, 197-198.

Industry in old China was extremely backward. When the whole country was liberated in 1949, annual steel output was only 158,000 tons, and the production of other industrial goods was likewise very underdeveloped. Faced with such a weak industrial foundation, after taking power the proletariat had an even more urgent need to develop industry rapidly and achieve socialist industrialization. Chairman Mao pointed out long ago: "**Without industry there can be no solid national defense, no well-being for the people, no prosperity or strength for the nation.**"[1]

The gradual realization of socialist industrialization would inevitably increase the proportion of the socialist ownership by the whole people economy within the national economy as a whole and strengthen the leadership of the state-owned economy over the entire national economy. The development of socialist industrialization would accelerate industrial development in areas that had previously lagged behind industrially and change the irrational distribution of industry; at the same time, the ranks of the working class would grow along with this development, helping to strengthen the working class's universal leadership throughout the country. The development of socialist industrialization could fully bring into play industry's leading role, equip agriculture and light industry with advanced technology, promote the development of agriculture and light industry, and gradually raise the material and cultural standard of living of the working people. Socialist industrialization is also an indispensable condition for ensuring the country's economic independence and consolidating national defense. In accordance with the objective needs of China's socialist revolution and the practice of socialist construction, Chairman Mao personally presided over the formulation in 1953 of the Party's general line for the transition period, which designated "**the gradual realization of the country's socialist industrialization**" as a major task that the entire Party and the people throughout the country had to strive to accomplish.

To achieve socialist industrialization in our country means establishing nationwide a socialist industrial system centered on the iron and steel industry and machinery industry, with a complete range of sectors, a integration of large-, medium-, and small-scale enterprises, and a relatively rational regional distribution. Each cooperation zone and each province needs to

---

[1] Mao Zedong, "On Coalition Government," in *Selected Works of Mao Zedong*, Vol. III, 302.

establish its own industrial system. Within each cooperation zone and across many provinces, relatively independent, complete, modern industrial systems, each with its own distinct conditions, must be established in a planned and step-by-step manner. In this way, the country's industrial system will become stronger.

To develop industry and achieve industrialization, which path should be taken? There are two entirely different paths: one is the path of "independence and self-reliance," and the other is dependence on foreign countries, selling out sovereignty, or plundering foreign countries.

The path of industrialization pursued by capitalist countries, as well as the treasonous path that Liu Shaoqi, Lin Biao, Deng Xiaoping, and their associates attempted to implement, belongs to the latter path. In Deng Xiaoping's so-called "Regulations," he strenuously advocated that accelerating industrial development could only depend on introducing foreign technology and equipment and borrowing external debt from monopoly capital; he also slandered our people's policy of developing industry through independence and self-reliance as "the arrogance of the frog in the well and closed-doorism." Deng Xiaoping's path was the path of the Self-Strengthening faction of the late Qing, represented by Li Hongzhang and Zhang Zhidong, and of the reactionary Kuomintang—namely, the path of serving as comprador lackeys of imperialism. In the contemporary world, economically backward countries that rely on imperialism or social imperialism to develop industry cannot achieve industrialization at all, let alone the Four Modernizations or "a prosperous people and a strong country"; they can only invite the wolf into the house and become dependencies of imperialism or social imperialism. There is no other way out.

A socialist state adhering to the dictatorship of the proletariat should neither pursue, nor could it possibly pursue, the path of comprador lackeys or the path of plundering foreign countries to develop industry; it can only follow the path of independence and self-reliance to achieve socialist industrialization.

To achieve socialist industrialization through independence and self-reliance, it is necessary to proceed in accordance with the country's specific conditions, rely on accumulation within the socialist state, make full use of the country's resources, draw on the creativity of the people, implement a comprehensive set of policies of "walking on two legs," properly handle the

interrelationships among agriculture, light industry, and heavy industry, and develop the national economy in a planned and proportionate manner. Chairman Mao pointed out: "**In discussing our path to industrialization, we are here concerned principally with the relationship between the growth of heavy industry, light industry and agriculture. It must be affirmed that heavy industry is the core of China's economic construction. At the same time, full attention must be paid to the development of agriculture and light industry.**" "**The entire national economy will benefit if we can achieve an even greater growth in our agriculture and thus induce a correspondingly greater development of light industry.**"[1] Chairman Mao's instructions clarified the path of socialist industrialization.

Adhering to Chairman Mao's theory, line, principles, and policies concerning the relationship among the development of agriculture, light industry, and heavy industry means adhering to the path of achieving socialist industrialization through independence and self-reliance; naturally, priority must be given to developing heavy industry. Only in this way can we build socialism with greater, faster, better, and more economical results, ensure the country's economic independence and consolidate its national defense, and vigorously struggle against imperialism, revisionism, and reaction. Lenin pointed out: "**Unless we save heavy industry, unless we restore it, we shall not be able to build up an industry at all; and without an industry we shall go under as an independent, country.**"[2]

There are two different ways of developing heavy industry: one is to develop heavy industry without making agriculture the foundation, by placing one-sided emphasis on heavy industry and developing it by reducing the development of agriculture and light industry; the other is to develop heavy industry under the guidance of the policy of making agriculture the foundation, by developing it through greater development of agriculture and light industry.

The former approach, by one-sidedly emphasizing heavy industry while neglecting the development of light industry and agriculture, would inevitably lead to insufficient supplies of consumer goods in the market, monetary instability, and difficulties with the labor power, funds,

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

[2] Vladimir Ilyich Lenin, "Five Years Of The Russian RevolutionAnd The Prospects Of The World Revolution, Fourth Congress of the Communist International," in *Lenin's Collected Works*, Vol. 33.

and other resources required for industrialization. The consequence of this approach will be that the people are dissatisfied, and heavy industry cannot not truly be developed well either. This is an approach that achieves less, takes longer, produces poorer results, and costs more; it is a mistaken path.

Taking agriculture as the foundation, developing heavy industry by developing agriculture and light industry somewhat more, and basing the development of heavy industry on meeting the needs of the people's livelihood would produce a different situation. In the short term, more labor power, funds, and materials would be allocated to agriculture and light industry, and less to heavy industry, so the pace of heavy-industry development might appear somewhat slower. But from a long-term perspective, this approach will inevitably promote the development of heavy industry more rapidly. In terms of proportions, heavy industry would still be the focus of investment, but agriculture and light industry would receive somewhat greater emphasis. Once agriculture and light industry develop, they can provide heavy industry with more labor power and consumer goods, accumulate more funds, and open up a broader market. Here, the issue is whether one truly or merely ostensibly wants heavy industry, and whether this desire is strong or weak. If the desire is genuine and strong, we must firmly establish the principle of taking agriculture as the foundation and accelerate the development of agriculture and light industry. This will lay a solid foundation for the rapid development of heavy industry and the national economy as a whole. This is a method that achieves greater, faster, better, and more economical results, and it is the only correct path for realizing socialist industrialization through Independence and self-reliance.

Facts have shown that by following Chairman Mao's general principle for developing the national economy—making agriculture the foundation and industry the leading force—and by correctly handling the relationship among agriculture, light industry, and heavy industry, these material production sectors can promote one another; the growth of production of means of subsistence is transformed into the development of production of means of production, while the development of production of means of production is in turn transformed into the growth of production of means of subsistence.

Since liberation, under the guidance of Chairman Mao's revolutionary line, our country has achieved an all-round leap forward in the national economy, won major victories in industrial construction, and brought about tremendous changes in the output values of agriculture, light industry, and heavy industry, as well as in their proportions within the national economy.

> From 1950 to 1973, the output value of agriculture in our country grew by an average of 4.3% per year, while that of light industry grew by an average of 11.6% per year; on the basis of the development of agriculture and light industry, the output value of heavy industry grew by an average of 18.6% per year, achieving even greater development.
>
> In 1949, agriculture accounted for 70% of China's total gross output, while light and heavy industry together accounted for only 30%, of which heavy industry accounted for just 7.9%. By 1957, the share of light and heavy industry had risen to 56.5%, with heavy industry reaching 27.3%. By 1973, following the Great Proletarian Cultural Revolution, the share of light and heavy industry had increased to 70.3%, with heavy industry accounting for 40%.

After more than twenty years of development, the tremendous changes in the proportions of agriculture, light industry, and heavy industry show that our socialist industrialization has progressed rapidly. New industrial sectors that did not exist in the past have now been established. Many important industrial products that we previously could neither design nor manufacture ourselves can now be designed and manufactured independently. With the establishment of new industrial sectors and the strengthening of technical capabilities, the degree of self-sufficiency in equipment and raw materials has also increased substantially; machinery and equipment and steel are now basically self-sufficient; petroleum output can not only basically meet our country's growing needs but also has a surplus available for export. The regional distribution of industry has also undergone significant changes: Inland industry has developed rapidly, and new industrial bases and new industrial cities have been established one after another.

Following Chairman Mao's instructions, Premier Zhou Enlai stated in the Government Work Report at the Third National People's Congress that, beginning with the Third Five-year Plan, the development of our national economy could be envisioned in two stages: first, over fifteen years—that is, before 1980—to build an independent and relatively complete industrial

system and national economic system; second, within this century, to fully modernize agriculture, industry, national defense, and science and technology, so that our national economy would rank among the world's leading economies. Our socialist industrialization has already achieved tremendous accomplishments, but compared with the long-term objectives of socialist revolution and construction, there is still a considerable distance to go. We must follow the path of socialist industrialization charted by Chairman Mao and continue our struggle, using another twenty-odd years to build our country into a modern socialist power within this century. This is a great objective that accords with the fundamental interests of the broad working people. Deng Xiaoping, the Party's greatest incorrigible capitalist-roader, exploited precisely this issue. Around the summer of 1975, he took advantage of the urgent desire of the entire people to build a modern socialist power through the four modernizations, on the one hand viciously attacking our national economy for "not developing rapidly," and on the other hand employing the trick of substituting one thing for another by making "the four modernizations" the "general program" of all work, in a futile attempt to abolish class struggle as the key link and completely reverse our socialist orientation. Developing the socialist national economy and fully modernizing agriculture, industry, national defense, and science and technology within this century constitute a grand task for our people. Only by consistently adhering to class struggle as the key link, continually waging struggle against the bourgeoisie, especially the bourgeoisie within the Party, and criticizing the revisionist line, can we successfully accomplish this grand task.

Learn From Daqing in Industry

To give full play to industry's leading role in the national economy, it is necessary to achieve socialist industrialization; and to achieve socialist industrialization, it is necessary for the revolution to lead it. The development of socialist industry, like the development of any other undertaking, is fraught with the struggle between two classes, two roads, and two lines. If production is not led by the revolution and industrialization is not led by revolutionary transformation, it will inevitably take the wrong path. Daqing Oilfield is a model on the industrial front that has firmly implemented the Party's basic line, used proletarian politics to

command the economy, held high the banner of the **Angang Constitution**, and followed our own path of industrial development. Amid the line struggle, it has followed Chairman Mao's proletarian revolutionary line and carried forward the revolutionary spirit of independence and self-reliance, hard struggle, and building the country through diligence and thrift, serving as a model for building socialist industry with greater speed, better quality, and greater economy. Therefore, to develop socialist industry, it is necessary to respond to Chairman Mao's great call and launch a mass movement to "**Learn from Daqing in Industry**."

> The site of Daqing Oilfield was originally a vast, desolate wilderness. At the critical moment in 1960, when the Soviet revisionist traitor clique treacherously broke its word, tore up the contract, and stopped supplying petroleum to China, in an attempt to sabotage socialist construction in China, tens of thousands of workers developing the oilfield came here with hearts burning with fury. With the blue sky above their heads and the wasteland beneath their feet, they vowed to conquer this great oilfield and smash the Soviet revisionists' vicious plot. At that time, the weather was freezing cold; there were no houses and no beds, and not even enough cooking stoves and utensils. Dozens of large drilling rigs were quickly set up across the grassland, but the equipment was incomplete and poorly coordinated; automobiles and cranes were in very short supply, the roads were muddy, and equipment for water and electricity supply was even more inadequate. Under such difficult conditions, the heroic Daqing workers put forward the battle slogan, "Conquer the great oilfield and make the imperialists, revisionists, and reactionaries furious," persisted in putting politics in command, diligently studied Chairman Mao's *On Practice* and *On Contradiction*, armed their minds with Marxism, Leninism, and Mao Zedong Thought, held high the banner of the "**Angang Constitution**," and struggled against heaven, earth, and the class enemy. The Daqing workers adhered to Chairman Mao's proletarian revolutionary line, smashed the interference of Liu Shaoqi's revisionist line, upheld all-round dictatorship over the bourgeoisie, and carried forward the revolutionary spirit of self-reliance and hard struggle. In only a little more than three years, they built a first-rate great oilfield in China at high speed and with high quality, enabling China's petroleum products to become basically self-sufficient in 1963. The Daqing workers also conducted extensive scientific research and solved several major technical problems in the history of world oilfield development. They actively carried out the movement for increasing production and practicing economy; by 1963, the net income they had created was already equivalent to the state's entire investment. The "Iron Man spirit," nurtured by Mao Zedong Thought, has always inspired China's working class in Daqing to stride forward on the road of self-reliance. Since 1966, Daqing's crude-oil output has leapt forward at an average annual growth rate of 31%. During the Criticize Lin, Criticize Confucius Movement, the Daqing workers deeply criticized the idealist view of history of "the wise and the fool are immutable" propagated by Lin Biao and Confucius; in the Criticize Deng, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend, they also criticized Deng Xiaoping's "theory of the extinction of class struggle" and "the theory of the productive force determinism." They have displayed tremendous energy, wisdom, and creativity, and the entire oilfield

presented a vigorous and excellent situation in both revolution and production. In terms of crude-oil output, a single Daqing in 1975 had already surpassed the five Daqings of the period before the Great Proletarian Cultural Revolution.

Learning from Daqing in industry, like learning from Dazhai in agriculture, fundamentally means adhering to the principle of putting proletarian politics in command, implementing the Party's basic line, and adhering to the socialist orientation. Various contradictions exist within factories and enterprises, but the principal contradiction, which plays a decisive role, is the contradiction between the two classes and the two roads. The experience of Daqing proves that, so long as the Party's basic line is upheld, the socialist revolution in the sphere of the superstructure is carried out effectively, attention is paid to resolving problems concerning relations of production, the proletarian politics is in command of economy, and the masses are relied on firmly to implement the tasks of the dictatorship of the proletariat at the grassroots level, this constitutes the fundamental guarantee that factories and enterprises will continue advancing along the socialist path.

Kailuan Coal Mine is a century-old mine and a model unit for Learning from Daqing in Industry. Judged by conventional standards, this mine should have been abandoned long ago. However, its workers do not think that way. Through hard struggle, they have explored new ways to continue mining the coal mine, restoring youth to this century-old mine and achieving substantial year-on-year production increases since 1968. How could an old mine like Kailuan continue to develop and stride forward? Its most fundamental experience was to learn from Daqing, adhere to the Party's basic line, rely wholeheartedly on the working class, and vigorously carry out mass movements. In 1974, the mine's broad ranks of cadres and workers further raised their ideological consciousness during the Criticize Lin, Criticize Confucius Movement, and the mass movement to Learn from Daqing in Industry became more deeply rooted. Across the mining area stretching tens of kilometers every direction, a vibrant scene emerged. In 1975, annual raw-coal output was exactly double the original designed capacity: one Kailuan had become two Kailuans; labor productivity was approximately 80% higher than the national average; the average monthly output per working face was twice the national average; and the cost of raw coal was 37% lower than the national average. On July 28, 1976, Kailuan Coal Mine was struck by a powerful earthquake.[1] Some foreigners said that Kailuan was finished, that the people underground were finished, and that no more coal could be produced. Yet the heroic workers of Kailuan Coal Mine, under the warm care of Chairman Mao and the Party Central Committee and with the support of the people and armed forces throughout the country,

[1] Note from translator: 1976 Tangshan earthquake.

united and fought with a revolutionary spirit of fearlessness. They not only helped the overwhelming majority of underground workers to escape safely, but also began producing coal within just ten days after the earthquake, creating a rare miracle in the history of earthquake resistance.

Shanghai No. 5 Steel Plant is also a model unit in Learn from Daqing in Industry. This plant, built in 1958, is a high-quality alloy steel plant with relatively good equipment and technical conditions, and had once made contributions to the development of China's iron and steel industry. However, because of the interference caused by Liu Shaoqi's revisionist line, the plant's steel output remained stagnant for a long time after 1961. During the Great Proletarian Cultural Revolution, the broad masses of workers and cadres have conscientiously studied the Party's basic line, carried out the mass movement to Learn from Daqing in Industry in depth, and criticized the crimes of Liu Shaoqi's group in sabotaging the development of China's iron and steel industry. They thoroughly repudiated "the theory of the extinction of class struggle" and "the theory of the productive force determinism," and persisted in continued revolution under the dictatorship of the proletariat; thoroughly repudiated "the theory of superior leadership," and persisted in following the mass line; thoroughly repudiated "the theory that production had reached its limit," carried out technical innovation on a large scale, and fully tapped production potential. As a result, the plant soon took on an entirely new look: it successfully developed the "one-step steelmaking method," created new processes such as rapid steel smelting and vacuum smelting, greatly shortened smelting time, ended the old situation of prolonged stagnation, and entered a new stage of substantially increased production. In the course of carrying out the Criticize Lin, Criticize Confucius Movement in depth and of struggling against Deng Xiaoping, a incorrigible Capitalist-roader within the Party, the worker Marxist theoretical contingent at Shanghai No. 5 Steel Plant grew vigorously, the socialist enthusiasm of the broad masses has been fully brought into play, and the revolution and production flourished. During the Fourth Five-year plan (1971–1975), the plant's output of steel and steel products increased by 66.8% and 86.9%, respectively, compared with the Third Five-year plan period. The varieties and specifications of steel products soared to more than 11,800, and a large number of high-grade, sophisticated, and cutting-edge new metal materials were also developed.

Chairman Mao's great call to "**Learn from Daqing in Industry**" has pointed the way for the development of our country's industry. In response to this great call, our working class holds high the banner of continued revolution under the dictatorship of the proletariat, relies on our own efforts, and works with vigor and determination, rapidly transforming the face of our country's industry. Today, every part of the country has its own Daqing-style industrial enterprises. The Daqing spirit is blossoming and bearing fruit throughout the country. As long as we adhere to the Party's basic line, persist in criticizing revisionism and the bourgeoisie, and further develop the mass movement to Learn from Daqing in Industry, we will certainly accelerate the pace of our country's socialist industrialization and will surely achieve the full

modernization of agriculture, industry, national defense, and science and technology within this century, enabling our national economy to take the lead in the world.

Section Three: Integration of Socialist Industry and Agriculture

Integration of Industry and Agriculture Under Socialism

From the intrinsic connection between agricultural labor and industrial labor within total social labor, we can see that every social formation faces the problem of integrating industry and agriculture; the only difference is that this integration takes different forms in different social formations. What form, then, does the integration of industry and agriculture take under socialism?

On the basis of the two forms of public ownership under socialism, because socialist industrial production and agricultural production have already begun to acquire a directly social character, the integration of industry and agriculture is realized through a national economic plan, in accordance with the needs of the state and the people. From this perspective, the integration of industry and agriculture is direct integration—an embryonic form of the direct integration of industry and agriculture in the future communist society. However, socialist industrial and agricultural production still retain private characteristics or traces of the private tradition; the integration of industry and agriculture remains integration under the commodity system and must still be achieved through the roundabout means of monetary exchange, which is not very different from the old society. This dual character of the integration of socialist industry and agriculture reflects the dual character of the socialist production process.

Throughout the history of human society, the integration of industry and agriculture has taken various forms. The evolution of each form of integration has continuously developed alongside the evolution of the social mode of production. In the primitive commune economy, handicrafts were directly subordinate to agriculture; spinning and weaving, as well as the manufacture of everyday utensils, were also carried out as agricultural sideline activities. Primitive family ties linked handicrafts and agriculture together. Later, with the development of the productive forces, the social division of labor emerged, and private ownership appeared. The

primitive direct form of integration between industry and agriculture in the primitive commune economy began to disintegrate, and handicrafts separated from agriculture.[1]

Under private ownership, the separation of handicrafts from agriculture determined that the exchange of labor between industry and agriculture could only take the form of commodities. From then on, the integration of industry and agriculture began to proceed indirectly through monetary exchange. As Engels pointed out: "**With the splitting up of production into the two great main branches, agriculture and handicrafts, arises production directly for exchange, commodity production.**"[2] Once the exchange of labor between industry and agriculture took the form of commodity exchange, their integration became an indirect integration mediated by money.[3]

The separation of industry and agriculture proceeded slowly over the long history of slave society and feudal society. However, while agriculture still consisted mainly of individual peasant production and industry still consisted mainly of household handicrafts, the original bond of direct integration between agriculture and handicrafts was never completely severed. The development of capitalist large-scale industry and of capitalist relations of production corresponding to these productive forces thoroughly destroyed individual agriculture and individual handicrafts, finally tearing apart completely the original bond of direct integration between industry and agriculture.[4] The integration of industry and agriculture thus took the completely circuitous, tortuous, and bewildering form of monetary exchange. By adopting this method, the bourgeoisie created and expanded the "scissors difference" in industrial and

---

[1] In China, based on the archeological evidence from ancient city sites dating to the middle and late Shang dynasty, handicraft production during the Shang dynasty had already developed into an independent sector, with further specialization and workshops for various types of handicrafts. Among the workshop sites discovered at the Zhengzhou Shang city and near the ruins of Yin, there were workshops for casting bronze, making jade objects, producing bone artifacts, making pottery, and so on. In particular, the bronze-casting workshops occupied a prominent position.

[2] Frederick Engels, "IX. Barbarism and Civilization," in *Origins of the Family, Private Property, and the State*, *Marx Engels Selected Works*, Vol. 3.

[3] In the Shang dynasty, as handicrafts became an independent sector, the commodity economy began to develop. Currency used in exchanges between agriculture and handicrafts had already emerged in the form of cowrie shells and "bronze cowries."

[4] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry," in *Capital*, Vol. I.

agricultural product prices,[1] intensified the exploitation of agriculture, and drove the antagonistic contradiction in which industry exploited agriculture and the cities exploited the countryside to an extremely acute stage. Thus, the era in which capitalism moved toward its opposite had arrived. The integration of industry and agriculture—from their original direct integration, through separation under private ownership, and ultimately to sharp antagonism—will necessarily be reestablished directly under new conditions with the establishment and development of socialist public ownership. Marx pointed out: "**[Capitalist production] creates the material conditions for a higher synthesis in the future.**"[2] The "**higher synthesis**" of industry and agriculture foretold by Marx refers precisely to the new type of industrial-agricultural relationship established after the abolition of capitalism on the basis of public ownership of the means of production and socialized production. The material premises of this socialized production already existed in capitalist society. Its socioeconomic premises, however—namely, public ownership of the means of production and the planned regulation of industrial production and agricultural production by society on the basis of public ownership—could arise only after the proletariat seized political power.

Therefore, Marx and Engels identified one of the major tasks to be accomplished by the proletariat after seizing power, under the dictatorship of the proletariat, as follows: "**Combination of agriculture with manufacturing industries; gradual abolition of all the distinction between town and country.**"[3] In socialist society, with the implementation of socialist public ownership, the antagonistic contradiction between industry and agriculture—

---

[1] The scissors difference refers to a developmental trend in the exchange ratio between agricultural and industrial products. When the rate of increase in industrial product prices is faster than that of agricultural product prices (or when industrial product prices remain unchanged while agricultural product prices decline, or when industrial product prices rise while agricultural product prices remain unchanged), if this situation is represented in a statistical chart, the exchange ratio of industrial products to agricultural products forms an upward-sloping line, while that of agricultural products to industrial products forms a downward-sloping line. These two lines look exactly like an open pair of scissors on the chart, hence the term "scissors difference."
Note from translator: There is a wide misunderstanding that "scissors difference" only exists in socialists countries, for example the Soviet Union and People's Republic of China, and this is plainly not true. If you plot the price of agricultural products in the United States against that of industrial products, the same pattern will emerge. For example, the price of corn was $2.86 per bushel in August 1976, and $4.59 in August 2026. However, $1 in 1976 is worth $5.87 in 2026. Only socialist countries were able to recognize the fact of "scissors difference" between agricultural and industrial products, and actively address it.

[2] Karl Marx, "Chapter Fifteen: Machinery and Modern Industry," in *Capital*, Vol. I.

[3] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists," in *Manifesto of the Communist Party.*

industrial exploitation of agriculture and urban exploitation of the countryside—disappears. Under socialism, the unified national economic plan enables socialist agriculture to produce, according to plan, the grain, non-staple food, and raw materials needed for industrial development, while enabling socialist industry to produce, according to plan, the various daily-use industrial products needed by rural areas, as well as the chemical fertilizers, pesticides, and agricultural machinery and equipment needed to develop agriculture. This creates the conditions for industry and agriculture to become closely integrated within the national economy. Their mutual support and mutual promotion will, in turn, continually reproduce increasingly close relations between workers and peasants, gradually creating conditions for eliminating the difference between workers and peasants and the difference between urban and rural areas, and for transforming these relations into communist relations between workers and peasants. However, the integration of socialist industry and agriculture is a form of transition from the sharp antagonism between industry and agriculture under capitalism toward the direct integration of industry and agriculture under communism. This integration of industry and agriculture is still realized under the commodity system, and therefore cannot eliminate a series of contradictions and struggles in the course of integration. We will now analyze the dual nature of the integration of socialist industry and agriculture within different spheres.

Integration of Industry and Agriculture Within the Collective Economy

How are agriculture and industry integrated within the collective economy of our country's rural people's communes?

Within the collective economy of rural people's communes in our country, industrial enterprises run by communes and production brigades have already emerged and are now flourishing; people generally call them commune-and-brigade industry. This rural commune-and-brigade industry represents the integration of industry and agriculture within the collective ownership of a single people's commune. The labor power of commune-and-brigade industry comes directly from agriculture under collective ownership. The workers in commune-and-brigade industrial enterprises are themselves peasants; as workers in commune-and-brigade

industry, they still spend a certain amount of time each year participating in agricultural labor, thereby working in both industry and agriculture. The funds for establishing such industrial enterprises come directly from accumulation in agriculture. The commune-and-brigade industry arises from the needs of agricultural development. Its production is mainly devoted to products directly needed to support agricultural production, namely means of production, especially tools; in addition, some products are processed for large-scale industry. The profits generated by these products serve as a source of funds that indirectly supports the extended reproduction required by agriculture. In the words of our poor and lower-middle peasants, this is a new form of integration of industry and agriculture: "establishing industry around agriculture and using well-run industry to promote agriculture."

The emergence of commune-and-brigade industry vividly demonstrates the superiority of "large in size and high in public ownership" of rural people's communes in China. First, under the conditions of socialist public ownership, the working people, as the masters of social production, possess tremendous socialist enthusiasm. Through socialist education, they can mobilize their enthusiasm for building socialism on a large scale and, while vigorously developing agriculture, urgently demanded the establishment of their own commune-and-brigade industries, thereby bringing agriculture into direct integration with industry. Second, the increasingly developing and expanding people's commune collective economy provides the necessary labor power, funds, raw materials, and markets for developing commune-and-brigade industry. Third, the people's commune collective economy is a component of the socialist state's unified national economy. In accordance with the needs of People's commune development, the state could provide certain material conditions for developing commune-and-brigade industry through urban industry's support for agriculture. The emergence of commune-and-brigade industry is a new phenomenon under socialism. It has already begun to embody new, higher-level, comprehensive embryonic communist elements in the integration of industry and agriculture, and thus possessed powerful vitality. How, then, did the emergence and development of commune-and-brigade industry facilitate the further integration of industry and agriculture, and what significance did it have?

First, the development of commune-and-brigade industry directly strengthens the collective economy of rural people's communes.

> Since the beginning of the Great Proletarian Cultural Revolution, Shanghai County, Shanghai Municipality, began developing commune-and-brigade industry by establishing a three-level agricultural machinery repair and manufacturing network. By 1975, it had 433 commune-and-brigade industrial enterprises, more than 32,000 employees, and a gross output value of more than ¥110 million in 1974. This figure was equivalent to half of the county's total output value in agriculture, industry, sideline production, and other sectors. Accumulation amounted to nearly ¥30 million, more than double the production teams' accumulation for that year across the county. Of the accumulation at the commune level, 92% was provided by commune-run industry; of the accumulation at the brigade level, 82% was provided by team-run industry. As a result, the share of the commune-level economy in the total income of the three-level collective economy across the county rose from 17.6% in 1970 to 31.9% in 1974, while the share of the brigade-level economy in the total income of the three-level collective economy rose from 6.3% in 1970 to 17.2% in 1974.

Second, the development of commune-and-brigade industry enables people's communes and brigades to use their own economic strength to support poor teams in developing the collective economy, thereby continuously narrowing the gap between poor and wealthy teams and providing a material foundation for the continual development of the three-level collective economy of the people's commune from a lower to a higher level.

> In Huigou Commune, Gong County, Henan, the development of commune-and-brigade industry strengthened the collective economy, enabling the commune to use its own economic strength to support poor teams in developing agricultural production and to help disaster-stricken teams resume production, allowing some poorer production teams to catch up more quickly with wealthier production teams. Over the past several years, the commune alone has spent more than ¥400,000 supporting poor and disaster-stricken teams.

Third, the development of commune-and-brigade industry can support agriculture in various ways, providing assistance in terms of labor, technology, materials, and funding, thereby giving the rapid development of agricultural mechanization "golden wings."

> Over the nine years from 1957 to 1965, virtually none of the brigades in Shanghai County, Shanghai Municipality, established industry, and the county's total investment in agricultural mechanization amounted to only ¥327,700—an average annual investment of approximately ¥150 per brigade, enough to purchase only six manual sprayers. During the four years from 1966 to 1969, brigade-run industry had just begun to emerge, yet investment in agricultural mechanization at the brigade level rose to ¥2.68 million, averaging more than ¥2,800 per brigade per year, enough to purchase slightly more than one walk-behind tractor. During the five years from 1970 to 1974, brigade-run industry developed considerably, and total investment in agricultural mechanization at the brigade level reached as much as ¥8,331,500, averaging ¥7,000 per brigade per year—enough to purchase more than three walk-behind tractors.

Fourth, the development of commune-and-brigade industry can narrow the difference between urban and rural areas. In a socialist society, "**The abolition of the separation of town and country is therefore not utopian**"; the "**heritage**" bequeathed to us by the old society "**must and will be got rid of.**" Of course, this is conditional: "**The abolition of the separation of town and country is therefore not utopian, also, in so far as it is conditioned on the most equal distribution possible of modern industry over the whole country.**"[1] With the development of commune-and-brigade industry, factories will be scattered throughout the vast socialist countryside, and industry and agriculture will be directly integrated. This will create the conditions for gradually narrowing the separation between urban and rural areas and the difference between urban and rural areas.

Fifth, the development of commune-and-brigade industry is bringing about new changes in the class ranks of the vast socialist countryside. Rural people's communes are seeing the emergence of an increasingly large industrial technical workforce, and a new generation of peasants who have mastered industrial technology is growing and becoming stronger.

> In Shanghai County, Shanghai Municipality, it can be seen that, with the development of commune-and-brigade industry, a rural industrial technical workforce has grown up. Its members are both peasants and new workers in the socialist countryside. In 1975, the county had 3,397 tractor operators, 2,328 rice-transplanting-machine operators, 3,504 electricians, 162 automobile drivers, 168 steamboat drivers, and 3,003 construction workers, totaling 12,562 people. Including the 32,745 people working in commune-and-brigade factories, the total reached 45,307, accounting for 17.4% of the county's rural labor

[1] Friedrich Engels, "III. Production," in *Anti-Dühring*.

power—nearly one in every six members of the labor force was a rural worker with industrial technical skills.

In short, the development of commune-and-brigade industry integrated industry and agriculture, helps to narrow the difference between workers and peasants and the difference between urban and rural areas. It is a very important aspect of restricting bourgeois right. This is a new socialist phenomenon. Precisely for this reason, it has met vehement opposition from the bourgeoisie within the Party. During the people's commune movement, just as commune-and-brigade industry had begun to achieve some development, the bourgeoisie within the Party began loudly proclaiming that commune-and-brigade industry was "terrible," attacking small-scale chemical fertilizers as having been "botched" and "not worth the cost," in an attempt to strangle commune-and-brigade industry. Following the Great Proletarian Cultural Revolution and the Criticize Lin, Criticize Confucius Movement, commune-and-brigade industry has developed further. Yet, incited by the unrepentant Capitalist-roader Deng Xiaoping, the bourgeoisie within the Party again attacked the development of commune-and-brigade industry as involving "spontaneity" and "blindness," and as having "disrupted and undermined the state's unified planning." Under the pretext of "rectification," they sought to slash and destroy commune-and-brigade industry on a massive scale. This also tells us, from the negative side, that the development of commune-and-brigade industry was excellent.

Commune-and-brigade industry is still not widespread in China's rural areas, and its share of overall industry remains small. It will encounter many difficulties and twists and turns in the course of its development. Nevertheless, it is precisely here that our great and bright hopes lie.

Commune-and-brigade industry in China's rural areas is also developed under the commodity system, which inevitably brings new contradictions. For example, commune-and-brigade industry processes or produces products for urban industry, and the funds accumulated can be used for agriculture; this is one way in which commune-and-brigade industry indirectly supports agriculture. Such indirect support for agriculture is, of course, also a form of integration between industry and agriculture. However, if commune-and-brigade industry does not serve agricultural production, but focuses only on processing for urban industry and pursuing profit—undertaking large projects when profits are high, small projects when profits are low, and nothing

when there is no profit—capitalist management will inevitably run rampant, directly weakening the strength of support for agriculture and even competing with agriculture for funds and labor power, thereby taking the wrong path and damaging the integration of industry and agriculture. Since the production of commune-and-brigade industry is also a form of commodity production, it must likewise be soil in which capitalism and the bourgeoisie grow. Compared with the state's planned leadership over state-run industrial production and over the production of major agricultural crops such as grain, cotton, and oil crops by rural people's communes, the state's planned leadership over commune-and-brigade industry is relatively weak; consequently, the spontaneous forces of capitalism are even more likely to grow here. Thus, the development of commune-and-brigade industry likewise involves the struggle between the two classes and two roads. In developing commune-and-brigade industry, we must not refuse to support it enthusiastically merely because spontaneous capitalist tendencies exist, any more than we should discard food for fear of choking. On the contrary, only by adhering to class struggle as the key link, restricting bourgeois right, resolutely struggling against capitalist tendencies in the course of developing commune-and-brigade industry, and actively supporting commune-and-brigade industry so that it maintains its orientation of serving agriculture can we put commune-and-brigade industry on the path of healthy development and truly integrate it with agriculture; only then will it help gradually narrow the three major differences, strengthen the worker-peasant alliance, and consolidate the dictatorship of the proletariat.

Integration of Industry and Agriculture at National Economy Level

In addition to the integration of industry and agriculture within the scope of a single people's commune, throughout the entire realm of the national economy, on the basis of the two forms of socialist public ownership, there is also the issue of integrating industry and agriculture on a broader scale. Achieving socialist industrialization and properly addressing the development relationship among agriculture, light industry, and heavy industry is likewise a matter of how to integrate industry and agriculture within the realm of the national economy.

Socialism provides the possibility for industry and agriculture to be planned and integrated in the course of developing the national economy. However, to turn this possibility into reality, the key still lies in properly handling the development relationship among agriculture, light industry, and heavy industry. When arranging the national economic plan in accordance with the objective laws governing the development of the socialist economy, it is necessary to give priority to developing agriculture: first arrange the scale of agricultural development, and then, on this basis, determine the plan for light industry. Once agriculture and light industry have been properly planned, heavy industry can be planned next. Heavy industry will then not only have a foundation for development but also a clear direction for its development. In this way, the national economy will develop at high speed through the close integration of industry and agriculture.

0However, the bourgeoisie within the Party, such as Liu Shaoqi, Lin Biao, and Deng Xiaoping, always seek to pursue the revisionist line of heavy industry, light industry, and agriculture, in that order. Under the influence of this revisionist line, people often set heavy industry against light industry and agriculture, discussing only the role of heavy industry in agriculture and light industry while ignoring the role of agriculture and light industry in heavy industry. They one-sidedly emphasize heavy industry without considering whether agriculture, the foundation, can keep pace. As a result, the foundation of industrial development is unstable. This not only causes heavy industry to develop more slowly and at a lower level but, more seriously, disrupts the proportional relationships among the various sectors of the national economy, leaving it to walk on one leg and impeding the organic integration of industry and agriculture.

Judging from our country's experience, whenever the state emphasizes the speed of national economic development and whenever it points out that our economic construction is centered on heavy industry, some comrades forget the objective laws. They speak verbally of agriculture, light industry, and heavy industry, but in practice pursue heavy industry, light industry, and agriculture, thereby departing from Chairman Mao's revolutionary line. In economic construction, they have extended the capital construction front of industry, inevitably

crowding out, to a certain extent, the human, material, and financial resources necessary for developing agriculture and light industry.

Under the commodity system, if one cares only about industrial development and not agricultural development, allowing agriculture to fall seriously behind industrial development, what will the result be? The result is not only that the national economy cannot develop at high speed; more importantly, it widens the difference between workers and peasants and the difference between urban and rural areas, thereby widening the actual inequality in the exchange of labor between industry and agriculture and giving rise to a new "scissors difference." If industrial development creates an excessive burden on agriculture, it will also cause a sharp antagonism between industry and agriculture to reappear. To gradually integrate industry and agriculture, in addition to ensuring that industrial development is based on agriculture, the most fundamental approach is to develop agriculture and rapidly raise agricultural labor productivity. Only in this way can the difference between workers and peasants be gradually narrowed and bourgeois right in this area restricted.

The integration of socialist industry and agriculture is realized under the commodity system; consequently, the law of value, as the law governing commodity production, inevitably affects industrial and agricultural production. Properly utilizing such categories as commodities, money, value, and price will play a positive role in integrating industry and agriculture. However, the law of value and related categories are products of the private economy and manifestations of bourgeois right. If the potential harm they may cause is not restricted, they will once again lead to sharp antagonism between workers and peasants and between urban and rural areas. Therefore, the contradictions arising in the process of integrating industry and agriculture in connection with the commodity system must be handled correctly. If they are not handled properly, the integration of industry and agriculture may depart from the socialist path.

In the process of integrating socialist industry and agriculture, the "scissors difference" in the prices of industrial and agricultural products is a legacy of the capitalist commodity system. It reflects a relationship of unequal exchange. Under the operation of the basic economic law of socialism, this "scissors difference" will continually narrow. However, its complete elimination will require a fairly long historical process. The existence of the "scissors difference" between

industrial and agricultural products under socialism indicates a contradiction between workers and peasants based on their fundamental unity of interests. In order to overthrow the dictatorship of the proletariat, the old and new bourgeoisie often seek to widen this "scissors difference," thereby undermining the integration of socialist industry and agriculture and destroying the worker-peasant alliance. We must do the opposite: actively create the conditions to gradually narrow and ultimately eliminate this "scissors difference."

To ensure the proper integration of socialist industry and agriculture, it is also necessary to properly arrange the price ratio relations among the various agricultural and sideline products subject to state procurement. Improper price ratio arrangements will dampen the enthusiasm of the collective economy to organize production in accordance with the state plan, thereby affecting the integration of industry and agriculture and preventing industry from fully playing its leading role, so that industry and agriculture can be properly integrated.

To give full play to industry's leading role and enable industry and agriculture to be properly integrated, it is necessary not only to resolutely redirect industrial development onto the path of taking agriculture as the foundation, but also to do everything possible to raise industrial labor productivity and reduce the production costs of products supplied to agriculture, thereby lowering their prices. This will help promote the development of agricultural production. Once agricultural production develops, industry will develop even faster. Conversely, if labor productivity in producing products supplied to agriculture is low, production costs are high, or profits are pursued and selling prices raised, creating a new "scissors difference," the collective economy of the people's communes will be unable to afford them; even if it can afford them, excessive expenditure will result in increased output without increased income. This will obstruct the direct integration of industry and agriculture along the socialist path.

In the process of integrating socialist industry and agriculture, the struggle between the proletariat and the bourgeoisie is very acute. In socialist society, the integration of industry and agriculture must make use of monetary exchange relations; yet monetary exchange relations are precisely the soil in which capitalism and the bourgeoisie arise. Because the bourgeoisie exists, because bourgeois right exists, and because of the force of habits among small producers, new bourgeois elements will inevitably emerge in successive waves. New and old bourgeois elements

always seek to exploit monetary exchange relations between industry and agriculture, engaging in speculative trading and profiteering. Such capitalist activities must be combated; bourgeois right in the process of integrating industry and agriculture must be restricted; and the spontaneous forces of small producers must be criticized. Only in this way can it be ensured that exchange activities between industry and agriculture consistently adhere to the socialist direction.

Essence of the Integration of Industry and Agriculture is the Question of the Worker-Peasant Alliance

The issue of integrating industry and agriculture within the socialist national economy concerns not only how these two sectors exchange labor and the development of the national economy, but also directly relates to the alliance between the two great Laboring classes, workers and peasants.

On the eve of national liberation, Chairman Mao pointed out: "**Attention must be given to both city and village and it is necessary to link closely urban and rural work, workers and peasants, industry and agriculture.**"[1] The integration of industry and agriculture is not only essential to the development of the socialist economy, but also a major political issue in consolidating the dictatorship of the proletariat.

Our country is a socialist state of the dictatorship of the proletariat led by the working class and based on the alliance of workers and peasants. It is also a country in which the rural population accounts for more than 80% of the total population. The state of agriculture and the situation of the peasants are therefore of immense importance to our economic development and the consolidation of state power. The issues of agriculture and the peasants have always been major issues in our revolution and construction.

In socialist society, an essential difference still exists between industry and agriculture and between urban and rural areas. Unless this difference is eliminated, bourgeois right cannot be

[1] Mao Zedong, "Report To Second Session Of Seventh Central Committee," in *Selected Works of Mao Zedong*, Vol. IV, (Foreign Languages Press, 1965), 363.

eliminated, and the bourgeoisie will continue to have the soil in which it can arise. To narrow the difference between workers and peasants and the difference between urban and rural areas, we must first pay great attention to agriculture, to the peasants, and to industry's support for agriculture, thereby helping agricultural development. At the same time, we must actively support all the socialist new things that emerge to narrow these differences, such as shifting the focus of medical and health work to the countryside, training barefoot doctors, and sending educated youth to the countryside. We must not only economically change the backward state of the countryside in relation to the cities, but also change the traditional attitude of neglecting agriculture and looking down on the peasants, criticize bourgeois right ideology, and bring industry and agriculture into closer integration, thereby further consolidating the worker-peasant alliance. Therefore, "agriculture as the foundation and industry as the leading force," and carrying out the work of combining industry and agriculture, is not merely an economic issue; it is first and foremost a political issue and a line issue, a major issue concerning the implementation of the Party's basic line.

The enemies of the proletariat—the bourgeoisie within the Party—in their efforts to restore capitalism and undermine the dictatorship of the proletariat, always seek to destroy the worker-peasant alliance; economically, this means undermining the integration of industry and agriculture. Liu Shaoqi, Lin Biao, Deng Xiaoping, and their associates disrupted the development relationship among agriculture, light industry, and heavy industry, widely spreading such fallacies as "developing agriculture in places with a great deal of industry is neglecting one's proper work," and implemented a revisionist line of "emphasizing heavy industry while neglecting agriculture" and "using industry to squeeze out agriculture," separating industrial development from agricultural development, dampening the enthusiasm of regions with a relatively large industrial share for developing agriculture, and attempting thereby to weaken the foundation of the national economy. At the same time, in the commodity exchange between industry and agriculture, they did everything possible to widen the "scissors difference," saying that they should "put a stranglehold on the peasants," in the hope of recreating sharp antagonism between workers and peasants and destroying the worker-peasant alliance. They also slandered sending educated youth going to the countryside as "arbeit macht frei in another form," opposed

university students returning to the communes, and incited peasants to "consume everything and divide everything." The bourgeoisie within the Party sought to expand the difference between workers and peasants and the difference between urban and rural areas in every way, thereby undermining the economic foundation of socialism.

The practice of our country's struggle between the two lines tells us that only by understanding the relationship between agricultural and industrial development at the level of theory and line can we identify and defeat the revisionist line, and only then can we correctly handle the relationship between industry and agriculture and that between workers and peasants.

Under socialism, the fundamental interests of workers and peasants are identical. "**Socialism is fully able to meet the interests of both.**"[1] The objective law governing the development of relations between socialist industry and agriculture will inevitably lead to the gradual narrowing and eventual elimination of the difference between urban and rural areas and the difference between workers and peasants. This objective law operates through people's conscious activities. The mutual support between socialist industry and agriculture; the working class's education of and guidance for the peasants in taking the socialist path; the rapid achievement of agricultural mechanization; and the gradual guidance of the peasant masses to expand the scale of collective ownership and raise its degree of public ownership, developing it into socialist ownership by the whole people when conditions are ripe—all these conscious activities under the leadership of the Party will create the conditions for the gradual narrowing and eventual elimination of the essential differences between industry and agriculture, urban and rural areas, and workers and peasants.

For aggression and expansion against other countries and internal suppression of the people, Soviet revisionist social imperialism is frantically pursuing Hitler's "guns before butter" policy and accelerating the militarization of the national economy. To this end, it is inevitably imposing exorbitant exactions, brutally exploiting Soviet peasants through such means as increasing the tax burden on peasants and raising the prices of industrial products. Soviet revisionist social imperialism dreams of establishing a new empire aspiring to world hegemony

---

[1] Vladimir Ilyich Lenin, "Alliance Between the Workers and Exploited Peasants," in *Lenin's Collected Works*, Vol. 26.

on the basis of exploiting the peasants and all working people. The results of this policy are already quite evident: industry and agriculture have already become increasingly antagonistic, just as in capitalist society. The separation of industry and agriculture has caused the antagonism between urban and rural areas to intensify, and has strengthened the resistance of the Soviet people, including the broad masses of peasants. This phenomenon foretells the imminent collapse of the Soviet revisionist social imperialist system.

Throughout the development of agriculture and industry, there has always been a struggle between the Marxist line and the revisionist line. Properly managing the relationship between agricultural and industrial development is, in essence, a question of consolidating the leadership of the working class; it is a question of consolidating the alliance between the working class and the peasants; it is a question of the working class competing with the bourgeoisie for the peasants; and it is a new question of class struggle under socialism.

Chapter Six: Economy[1] Under Socialism

Section One: Saving of Labor Time Is Economic Law of Socialism

Socialism Has Opened Up Broad Prospects for Law of Saving Labor Time

The production process is the process of creating products and, at the same time, the process of consuming the means of production and labor power. Therefore, in the production process, there is the issue of saving human, material, and financial resources. Saving human resources means saving living labor; saving material resources means saving materialized labor; and saving financial resources is the monetary expression of saving living labor and materialized labor. Ultimately, all savings amount to labor-time saving.

Economy is of extremely important significance for the development of all social production, and especially for the development of socialist production. Why is this so? Because, whether for an individual or for society, if the time spent producing a particular product is saved, more products can be produced in the same amount of time, or other activities can be undertaken. Marx said: "**Economy of time, to this all economy ultimately reduces itself. Society likewise has to distribute its time in a purposeful way, in order to achieve a production adequate to its overall needs; just as the individual has to distribute his time correctly in order to achieve knowledge in proper proportions or in order to satisfy the various demands on his activity. Thus, economy of time, along with the planned distribution of labor time among**

[1] Note from translator: Economy here means frugality.

the various branches of production, remains the first economic law on the basis of communal production."[1]

In societies where exploiting classes hold a dominant position, labor-time saving is constrained by the system of exploitation. The abolition of capitalism and the establishment of socialism have opened up broad scope for the law of labor-time saving to operate.

Labor-time saving is an objective requirement for increasing socialist capital accumulation. For a socialist state to accelerate socialist construction, it needs to accumulate ever-increasing amounts of capital. In the development of capitalism, the bourgeoisie has always relied on exploitation and plunder to increase capital accumulation. In addition to brutally plundering and exploiting the proletariat and the broad masses of working people in their own country, they have also increased capital accumulation by launching wars of aggression to plunder the wealth of the people of the colonies and semi-colonies. The history of capital accumulation is a history of exploitation and plunder soaked in blood. A socialist state cannot increase capital accumulation by adopting the methods of imperialism and social imperialism—exploiting its own people at home; carrying out aggression and plunder abroad; extorting war reparations; or selling off its national resources—but can obtain it only through the diligent labor of all working people and strict economy practiced by the people throughout the country.

Our country is a large nation, but its economy is still relatively underdeveloped. In order to build our country at an early date into a socialist power with modern agriculture, modern industry, modern national defense, and modern science and technology, practicing strict economy is of especially great significance. Chairman Mao pointed out: "**We want to carry on large-scale construction, but our country is still very poor -- herein lies a contradiction. One way of resolving it is to make a sustained effort to practice strict economy in every field.**"[2]

Diligently practicing economy is not only an objective requirement for increasing socialist accumulation, but also a necessary condition for enabling the funds already accumulated to play their full role. Saving every possible human, material, and financial resource in economic

---

[1] Karl Marx, "The Chapter on Money," in *Grundrisse*, *Foundations of the Critique of Political Economy (Rough Draft)*.

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 417.

construction, cultural construction, National defense construction, and other areas, and accomplishing more with the same human, material, and financial resources, is also an important condition for accelerating socialist construction in China. The working people put it well: "If one is diligent but not thrifty, all the hard work is in vain." Only by being both diligent and thrifty can the wealth created by the working people be made to play its greatest possible role, and can China be built into a powerful socialist state at an early date. At the same time, China undertakes internationalism and obligations abroad; only by practicing greater economy in all aspects at home can we make a greater contribution to world revolution.

Labor-time saving is also an objective requirement for gradually narrowing and ultimately eliminating the three major differences. The revolutionary leaders of the proletariat have always regarded cultivating new people with all-round development who can engage in both physical labor and intellectual labor and who can perform both direct production work and managerial tasks as an important step toward narrowing the three major differences. To enable the working people at large gradually to work with a hammer, farm with a hoe, fight the enemy with a rifle, and criticize the bourgeoisie with a pen, it is necessary to continually raise their level of all-round development. Marx said: "**Time is scope for the development of man's faculties, etc.**"[1] Only by continually raising the level of labor-time saving in the material production sectors, so that society as a whole can produce increasingly abundant social products with increasingly less time, can the individual worker's labor time devoted to material production gradually be shortened, the time available for activities promoting all-round development gradually be increased, and the essential differences between workers and peasants, between urban and rural areas, and between intellectual labor and physical labor gradually be narrowed.

The development of the socialist revolution and socialist construction objectively requires strict economy. Socialism, in turn, provides the objective possibility for diligently practicing economy. Under socialism, because there is state power under the dictatorship of the proletariat and socialist public ownership of the means of production, the national economy can develop according to planned proportions, thereby making it possible to eliminate the astonishing waste

---

[1] Karl Marx, "Chapter XXI: Opposition to the Economists (Based on the Ricardian Theory)," in *Theories of Surplus Value*.

of social wealth and the serious destruction of productive forces caused under capitalism by blind competition and economic crises. More importantly, in a socialist society, the working people become the masters of the state and the socialist economy, and practicing economy is consistent with the fundamental interests of the working people. Through education in Marxist ideology and political line, the working people's consciousness of practicing strict economy is continuously strengthened. All this has opened up broad prospects for economy under socialism.

Contradictions in the Process of Saving Labor Time

Although socialism provides the objective possibility of practicing economy, possibility does not necessarily become reality. In socialist society, the continuous saving of labor time is by no means plain sailing; rather, it is a process of constant practice and struggle, a process of continually exposing and resolving contradictions.

People's ability to understand and transform nature is limitless. In such areas as the rational exploitation of natural resources, environmental protection, comprehensive utilization, improving product quality, and reducing production costs, there is always a process of continuous practice, exploration, and experience-based learning.

More importantly, in the fields of socialist relations of production and the superstructure, there are still aspects that are incompatible with the social productive forces and the socialist economic foundation; these incompatible aspects conflict with practicing strict economy. Although socialist society has established public ownership of the means of production and overcome the astonishing waste of social wealth caused by blind competition; however, because enterprises under socialist public ownership operate within a commodity system, in the course of implementing economization, each enterprise will inevitably encounter contradictions between local and overall interests, immediate and long-term interests, increased production and economy, quality and economy, and so forth, all of which require proper handling.

Socialist public ownership links the entire national economy into an integrated whole. Every socialist enterprise, including state-run enterprises and collectively owned enterprises, is a component of the national economy. Generally speaking, the saving of labor time in an enterprise

will inevitably benefit the development of the entire national economy. However, because there are two forms of socialist public ownership, and because state-run enterprises enjoy relative independence in operation and management, conflicts may also arise between the two. Sometimes, viewed from the standpoint of an individual enterprise, the measures it adopts to save resources benefit that enterprise, but from the standpoint of the overall situation, they are detrimental. Therefore, when an enterprise rigorously practices economy, it must first consider whether this will cause losses or inconvenience to the state, consumers, or other enterprises, and must consider the effects on the national economy as a whole.

When an enterprise practices economy, it must also assess their effectiveness from a long-term perspective.

If short-term savings in production result in long-term losses, they are inadvisable. When determining investment in capital construction, facilities built to unnecessarily high standards beyond what is needed and feasible constitute waste; however, eliminating or reducing necessary production facilities or auxiliary facilities, or lowering their reasonable standards, can also result in waste.

Economy in the production process means saving living labor and materialized labor while manufacturing a certain quantity and quality of products within a given period. Increasing production and expanding the scale of production generally promote specialization in production and facilitate the adoption of new technologies and new processes, thereby further reducing labor expenditure per unit of product. Practicing economy makes it possible to produce more products with the same human and material resources, which creates the conditions for increasing production. Therefore, increasing production and practicing economy are inherently complementary and mutually reinforcing.

However, if the issue is viewed one-sidedly, contradiction may also arise from increasing production and practicing economy. If one simply pursues an increase in output and inappropriately adds more equipment, consumes more raw materials, and employs more labor power, then, as output increases, costs will also rise sharply. As a result, output may increase, but capital accumulation cannot increase proportionally; accumulation may even decline while output rises. All of this is detrimental to building socialism. If one simply pursues savings in the

consumption of power, raw materials, and living labor while neglecting the prerequisite of ensuring product quality, it may be possible to use the saved human and material resources to increase production somewhat, but products of reduced quality cannot be used as substitutes on an equal basis, thus actually causing waste. The comprehensive approach to economy is to closely link economy with increased production, diligently practice economy while increasing production, and promote increased production through economy.

It is easy to understand that ensuring product quality and diligently practicing economy may come into conflict. When product design, production technology, and process flow have not been improved, reducing the consumption of living labor and materialized labor is not "economy," but "cutting corners and using inferior materials," and will inevitably affect product quality. For this reason, some people believe that emphasizing quality makes economy impossible, while practicing economy makes it impossible to improve quality. This view treats economy and quality as absolutely opposed. In fact, ensuring and improving product quality has not only a contradictory aspect but also a unified aspect with economy. Improving product quality, extending the service life of products, and enhancing their performance in use mean economizing on society's consumption of human and material resources. From the perspective of a factory, improving product quality, reducing defective and substandard products, and lowering the rate of product rework and repair also constitute economy in material and human resources. The key to correctly handling the contradiction between quality and economy is to fully mobilize the people to reform unreasonable product designs, simplify cumbersome work procedures and processes, reduce unreasonable material consumption, selected raw materials appropriately, improve the comprehensive utilization of materials, turn waste into treasure, and so on. Only then, economy can be achieved while ensuring improved product quality.

The struggle between the two classes, two roads, and two lines that exists throughout the entire socialist period will also be reflected in the question of economy. The bourgeoisie inside and outside the Party always exploit the commodity system, monetary exchange, and three major differences in socialist society to spread, with all their might, the decadent bourgeois ideology of pursuing pleasure, seeking comfort, and extravagance and wastefulness. Embezzlement and theft, squandering and waste are not only expressions of their class nature but also their vicious

means, in the economic sphere, of attacking the proletariat, sabotaging socialist construction, and undermining the economic base of the socialist economy. Liu Shaoqi, Lin Biao, and Deng Xiaoping, the biggest capitalist-roaders inside the Party, always strenuously opposed Chairman Mao's policy of "**build the country through diligence and frugality**"; they sought bigness and foreignness and squandered the people's property. This not only caused the country material losses but also corrupted the thinking of some workers, Party members, and cadres, providing fertile soil for the emergence of new bourgeois elements; creating conditions for new and old bourgeois elements to engage in such criminal activities as embezzlement and theft, speculation and profiteering, and corruption and malpractice; and expanding the social base for their restoration of capitalism. Therefore, diligently practicing economy and opposing waste can not only accelerate the pace of socialist construction economically but also constitute a powerful political blow against the bourgeoisie inside and outside the Party.

Section Two: Labor Productivity Under Socialism

Increasing Labor Productivity Is the Hallmark of Saving Labor Time

The economic law of saving of labor time under socialism requires the continuous improvement of labor productivity.[1] In the course of the development of socialist production, workers constantly create new and higher labor productivity. This means producing more material goods with the same amount of labor, and signifies the saving of materialized labor and living labor. The rapid growth of labor productivity is the decisive link in the rapid development of production, and it is of great significance for the development of the socialist economy. Lenin pointed out: "**In the last analysis, productivity of labor is the most important, the principal thing for the victory of the new social system.**"[2] Socialism is bound to defeat capitalism because, in the final analysis, under socialism labor productivity will inevitably become much higher than under capitalism, thereby creating the material foundation for the country's growing prosperity and for the continuous improvement of the people's material and cultural life. The changes that have occurred in our country since its founding, particularly since the socialist transformation was basically completed, provide the most powerful confirmation of Lenin's argument.

Why must such a change inevitably occur? In analyzing the factors affecting labor productivity, Marx pointed out: "**This productiveness is determined by various circumstances, amongst others, by the average amount of skill of the workmen, the state of science, and the degree of its practical application, the social organization of production,**

---

[1] Labor productivity is the efficiency with which workers produce a given product within a certain amount of labor time; that is, it is the quantitative expression of the level of productive forces. The more products that can be produced with the expenditure of an equal amount of labor, or the less labor expended per unit of product, the higher the labor productivity. Labor productivity calculated solely on the basis of producers' living labor expenditure is called individual labor productivity. From the perspective of society as a whole, when calculating labor productivity, it is necessary to consider not only the expenditure of living labor but also the expenditure of materialized labor; labor productivity calculated by taking into account both materialized labor and living labor expenditure is called Social labor productivity.

[2] Vladimir Ilyich Lenin, "A Great Beginning."

the extent and capabilities of the means of production, and by physical conditions."[1] The factors affecting labor productivity identified by Marx can play a greater role under socialism.

Under socialism, workers begin to change from wage-earning slaves into masters of production. Continuously improving their labor skills begin to become a conscious activity through which workers can display their socialist enthusiasm. Through the planned training provided by the socialist state and the mutual learning and assistance among workers—and especially since the Great Proletarian Cultural Revolution, with the widespread promotion of "July 21" Workers' University in factories—the average skill level of the broad masses of workers in our country rose rapidly.

Under socialism, the development of science and its application to industrial and agricultural production are no longer constrained by the law of surplus value but are governed by the basic economic law of socialism. The situation in which a small number of bourgeois specialists monopolized science and technology has also gradually changed. Under conditions in which workers and peasants, revolutionary cadres, and professionals implement the "three integration," science and technology will be applied more widely in production and will develop more rapidly.

Under socialism, the planned social integration of the production process and the planned division of labor and cooperation among producers break through the confines of a single enterprise or a single capital and extend to relations among enterprises, production departments, and regions; the scale of utilization of the means of production also continues to expand as private ownership is transformed into public ownership and the degree of public ownership steadily increases; and, as demonstrated by projects such as the construction of the "Dazhai fields," the building of the "Red Flag Canal," and the harnessing of the Yellow River, Huai River, and Hai River, the transformation of natural conditions is likewise carried out on a scale and at a speed unimaginable in the old society.

Socialism has opened broad prospects for the rapid increase of labor productivity. However, because the bourgeoisie still exists in socialist society, because bourgeois right still exists, and because bourgeois influence remains widespread among workers, peasants, state

---

[1] Karl Marx, "Chapter One: Commodities," in *Capital*, Vol. I.

organs personnel, and intellectuals, the increase of labor productivity in socialist society can by no means be free of resistance. This resistance mainly comes from the bourgeoisie within the Party. Heads of the revisions line, Khrushchev, Brezhnev, Liu Shaoqi, Lin Biao, and Deng Xiaoping, when it comes to labor productivity, always make a great show of Marxism while peddling "the theory of the extinction of class struggle" and "the theory of the productive force determinism." They and their pet theorists, on the one hand, distort Lenin's theory concerning the role of labor productivity in ensuring the victory of the new social system, twisting Lenin's view to suggest that, after the proletariat has seized power, raising labor productivity is the overriding and foremost task; on the other hand, they distort Marx's theory concerning the factors affecting labor productivity, claiming that the development of science and technology is the primary factor ensuring an increase in labor productivity, and advocating technology supremacy and experts first.

When Deng Xiaoping was vigorously promoting the right-deviationist tendency to reverse verdicts in 1975, he desperately propagated such absurdities as "productive forces are science" and that the scientific and technological fields should be led by bourgeois "experts." In his view, only by relying on bourgeois "experts" could science and technology develop, labor productivity increase, and the four modernizations be realized.

"**They completely deny that the several thousand years of human history is a history of class struggle. They completely deny the class struggle of the proletariat against the bourgeoisie, the proletarian revolution against the bourgeoisie, and the dictatorship of the proletariat over the bourgeoisie.**"[1] Their advocacy of "the theory of the extinction of class struggle" and "the theory of the productive force determinism" on the question of labor productivity was intended to shield the bourgeoisie's frenzied attack on the proletariat and to shield their criminal activities aimed at restoring capitalism.

Marxism holds that socialism means eliminating classes. Raising labor productivity is important for consolidating and securing the victory of socialism, but it is by no means the foremost consideration. For the elimination of classes and the realization of communism will never occur spontaneously with an increase in labor productivity; at the same time, only by

[1] "Circular of the Central Committee of the Communist Party of China," *Hongqi*, no. 7 (1967): 3.

upholding the proletariat's class struggle against the bourgeoisie, continuously improving socialist relations of production, and fully bringing out the superiority of socialism can labor productivity in socialist industry, agriculture, and the transportation industry grow steadily and rapidly.

Role of Technical Innovation in Increasing Labor Productivity

The improvement of labor productivity is determined by various factors. However, workers with a certain amount of work experience who create and use the means of production have always been the active and most important factor among the productive forces. Under socialism, workers are the masters of the country, filled with revolutionary enthusiasm and possessing tremendous enthusiasm and initiative for developing socialist production. In the production struggle, they are not only capable of working hard and persevering, but also better understand how to work cleverly. They constantly summarize and accumulate experience from the production struggle, vigorously pursue technical innovation, and promote the development of science and technology in order to raise labor productivity. Through practical experience in the production struggle, workers' vigorous pursuit of technical innovation is an important means of increasing labor productivity. Not only it directly determines improvements in the means of production and production processes, but also has a major impact on the scope of utilization of the means of production and the extent to which natural conditions are transformed. As socialist revolution and socialist construction develop, the demands made by all sectors on socialist production will inevitably become increasingly high. Without pursuing technical innovation and raising labor productivity, it is difficult to meet the requirements of the country and the people. In socialist society, technical innovation is an important means by which workers complete and exceed the production tasks assigned by the state and collectives, and gradually transform production labor from heavy physical labor into semi-mechanization, mechanization, automation, and electronic operation.

There are numerous examples throughout China demonstrate how technical innovation can reduce workers' labor intensity, improve working conditions, and increase labor productivity.

The important role of technical innovation is also clear from some materials concerning the Shanghai area:

> Those familiar with the glass bottle-making industry will naturally recall the "three treasures" of bottle-making workers in the past. The first was an iron rod. One end was inserted into the blazing-red furnace, while the other was held in the worker's hands and twisted back and forth. Each worker had to scoop and load materials six or seven thousand times a day, and many workers sprained the tendons in their wrists and had to undergo surgery. The second was a towel. Workers soaked it in cold water and wrapped it around their foreheads to withstand the high temperature in front of the furnace. The third was a pair of wooden clogs three inches thick, worn to prevent their feet from being burned by the heat. But today, when we enter the bottle-making workshop of Shanghai No. 10 Glass Bottle Factory, we see an entirely different scene: several kinds of glass raw materials are automatically mixed through an electronic scale and a control mechanism, then sent into the charging machine; the laser liquid-level controller automatically controls the charging machine according to the level of the molten glass in the furnace, feeding the raw materials evenly into the furnace; the material in the furnace is then automatically sent piece by piece through the feeder into the bottle-making machine. Once the bottles are made, they are grasped by the robotic arm and placed on the conveyor belt, which carries them into the annealing furnace. All of this is controlled by an electronic computer. In the simple machine room that the workers built themselves, various indicator lights flash, while the screen of the industrial television displays the operating condition of the machines. Since the Great Proletarian Cultural Revolution, this factory has carried out four relatively major technical innovations: from manual operation to semi-mechanization, from semi-mechanization to mechanization, and from mechanization to electronic operation. The workers said happily: "In the past, making bottles meant nodding one's head and moving one's hands while shaking the whole body; all ten fingers were covered in blisters from burns; delivering the bottles required running on both legs—the labor intensity was truly high. Now making bottles means pressing a button and watching the material fall; the bottles run around the machine, production leaps forward, and everyone rejoices." The factory's annual output was 1,358 tons in 1966 and reached 3,100 tons in 1974. In the past, each bottle-making machine required seven workers; when semi-mechanization was achieved in 1966, this was reduced to four and a half workers per machine. Now that electronic operation has been achieved, one worker can operate two bottle-making machines.
>
> Before liberation, the Shanghai glove industry was left with the shambles known as "three old and one miscellaneous": old factory buildings, old equipment, old products, and miscellaneous machine models. The industry's technical conditions were extremely poor; all operations were manual. During operation, workers had to turn a hand crank, jump on a foot pedal, count aloud, and keep track mentally. Labor intensity was high and production efficiency was low. Each worker produced four or five dozen pairs of gloves a day and had to turn the crank more than 30,000 times, which over many years left workers with "one shoulder higher than the other and one arm thicker than the other." Since the Great Leap Forward in 1958, and particularly since the Great Proletarian Cultural Revolution, the workers throughout the glove industry have carried forward the revolutionary spirit of daring to think and act. They have successively

> transformed hand-operated glove machines into electric, semi-automatic, automatic, and fully automatic glove machines, greatly reducing labor intensity and increasing labor productivity more than twentyfold. The industry's total workforce has reduced by two-thirds, while total output increased fourfold. On this basis, they continue to advance into the depth and breadth of technical innovation, and successfully developed an electronic digital program-controlled glove machine, whose output is 12.6 times higher than that of the semi-automatic glove machine. After group-controlled glove machines entered production, the number of machines supervised by each worker has increased ninefold, each worker's shift output increased tenfold, and the labor power of machine operators could be reduced by 90%. All this, as the worker comrades say: "Innovation has no ceiling, and potential is limitless. Work hard and work smart; the outlook improves day by day."

Technical innovation has promoted improvements in machinery, equipment, and tools, raising the level of mechanization, automation, and continuous production; it promoted reforms in product design and production processes; and it also promoted changes in raw materials, replacing high-quality materials with inferior or waste materials and replacing resource-scarce raw materials with those available in greater abundance. All of this greatly have increased labor productivity and substantially reduced the consumption of raw materials, materials, equipment, and labor power.

The road of technical innovation is also filled with the struggle between two classes, two roads, and two lines. Liu Shaoqi, Lin Biao, and Deng Xiaoping, these representatives of the bourgeoisie, vigorously promoted the "philosophy of slavish reliance on foreigners" and "crawlism" on the issue of technical innovation, and pursued a traitorous capitulationist line. In their view, technical innovation could succeed only by purchasing patents from foreigners and importing machinery and equipment; otherwise, it was impossible. Deng Xiaoping's "Regulations" claimed to "accelerate development of industry," but in reality it is intended to accelerate the restoration of capitalism. He said that to realize the "Four Modernizations" in our country, we must rely on importing more "advanced foreign technologies" and on foreign countries supplying "complete sets of modernized equipment." If we followed Deng Xiaoping's approach, China would become economically dependent on imperialism and social imperialism. Deng Xiaoping's revisionist line of traitorous capitulation was completely opposed to Chairman Mao's great policy of "Independence and self-reliance." Chairman Mao taught us long ago: "**On what basis should our policy rest? It should rest on our own strength, and that means**

regeneration through one's own efforts."[1] Chairman Mao's series of directives on building socialism through Independence and self-reliance constitute a sharp critique of the traitorous capitulationist line pursued by Liu Shaoqi, Lin Biao, and Deng Xiaoping, pointed the way for our country's technical innovation, greatly inspired the initiative and creativity of our working class, working people, and scientific and technological personnel, and powerfully advanced technical innovation.

Our emphasis on upholding self-reliance does not mean categorically refusing to adopt advanced foreign technologies. We should learn from and adopt all foreign new technologies that suit the actual needs of our country's production development. However, we must base ourselves on self-reliance, proceeding from our country's actual conditions and learning from and adopting such technologies purposefully and selectively. In dealing with foreign new technologies, we should do as Mr. Lu Xun said: "Use our brains, broaden our vision, and take them for ourselves"; after taking them, "either use them or put them in storage." Only after the samples, prototypes, and other technologies we introduce have undergone the processes of "first critically study, second use, third modification, and fourth innovation"—learning for the sake of innovation and making foreign things serve China—can they benefit our country's construction.

To pursue technical innovation independently and through self-reliance, we must fully trust and rely on the broad masses of workers. The bourgeoisie and its representatives within the Party never trust the wisdom and strength of the masses. They emphasize the special nature of science and technology, believing that the development of science and technology can rely only on a small number of experts, not on the broad masses, and that mass movements cannot be carried out. This is completely wrong. The mass line is the Party's fundamental line. The workers are the masters of the factories and the most vital and decisive factor among the various elements of the productive forces. Only by adhering to the mass line, mobilizing the masses without restraint, and vigorously launching mass movements can we arouse the masses' revolutionary drive, revolutionary perseverance, and revolutionary wisdom—that is, the socialist enthusiasm

---

[1] Mao Zedong, "The Situation and Our Policy After the Victory in the War of Resistance against Japan," in *Selected Works of Mao Zedong*, Vol. IV, 20.

and creativity of the workers—and thereby promote the vigorous development of technical innovation.

Under Party leadership, implementing the "three integration" of the workers, leading cadres, and technical personnel is an expression of the Party's mass line in the technical innovation movement. Technical innovation in our country has already developed from the "three integration" within factories to various forms outside factories, including the "three integration" of factories, schools, and scientific research institutions, and the "three integration" of design units, manufacturing units, and user units. These different types of "three integration" are new socialist phenomena and vivid expressions of the new types of mutual relations established by people in the technical innovation movement. Adhering to the "three integration" in the technical innovation movement will continuously improve socialist relations of production, fully mobilize the masses, and promote the development of social productive forces.

In the technical innovation movement, it is also essential to implement the policy of launching projects with indigenous methods, combining indigenous and foreign methods, and "walking on two legs." To value only foreign methods while looking down on indigenous ones is, in practice, to exclude the broad masses from technical innovation. Practice has shown that only by launching projects with indigenous methods and combining indigenous and foreign methods can the masses be mobilized to the fullest extent. The various innovations and creations of the broad masses of workers are developed by them in response to the actual needs of production, by summing up their own years of production experience and relying on indigenous self-reliant methods. Indigenous methods generally have such characteristics and advantages as being relatively simple and easy to implement, adaptable to local conditions, using locally available materials, requiring little expenditure, allowing projects to get off the ground quickly, producing significant results, and being easy to promote. Adhering to the use of indigenous methods enables people and materials to be put to the best use, fully mobilizes positive factors in all areas, and opens up the broadest possible scope for the broad masses to participate in technical innovation.

> Take the Shanghai woolen sweater industry as an example. Before the Great Proletarian Cultural Revolution, under interference from the revisionist line, efforts to pursue "respectability" and "professionalization" relied on a few people working behind closed doors to develop automation. After several years, they still had not succeeded. In 1973, two young electricians at a woolen sweater factory started from actual production needs and launched a project with indigenous methods. Spending only ¥72, they created a photoelectric control box that automated four operations. Because it cost little and produced quick results, the workers welcomed it enthusiastically. Within six months, it was rapidly introduced throughout the industry on 1,500 knitting machines, raising production efficiency by more than 15%. Since 1974, this simple program control system has gradually been introduced and used in twenty industries across the city, including steel rolling, forging and stamping, metal cutting, and rubber.

Countless examples vividly demonstrate that indigenous, grassroots methods grow naturally from and are deeply rooted in the soil of production practice. They are intimately connected with the masses and possess tremendous vitality. Engels said long ago: "**From the very beginning the origin and development of the sciences has been determined by production.**"[1] Simple indigenous methods developed from the realities of production conform to the objective law governing the development of production technology from the lower to the higher level, and from quantitative change to qualitative change. Our emphasis on launching projects with indigenous methods by no means means rejecting foreign methods. The so-called "indigenous" and "foreign" exist only in comparison with each other and develop through struggle with each other. If we fail to base ourselves on indigenous methods, instead worshipping foreign methods and rejecting indigenous ones, the result will be that nothing can be accomplished. Only by adhering to launching projects with indigenous methods and combining indigenous and foreign methods in technical innovation can we fully mobilize the masses, create a vigorous mass movement, and achieve results that are more, faster, better, and more economical; otherwise, we will become divorced from reality and the masses, artificially create many restrictions, exclude the broad masses from the gateway to technical innovation, and thereby greatly dampen their enthusiasm and creativity. Technical innovation will inevitably become lifeless, resulting in less being accomplished, at a slower pace, with poorer quality and greater expense. Therefore, whether we should persist in implementing the policy of launching

---

[1] Frederick Engels, "From the History of Science," in *Dialectics of Nature*, (Progress Publishers, 1934).

projects with indigenous methods and combining indigenous and foreign methods is, in essence, a major question of whether we want a mass movement and results that are greater, faster, better, and more economical.

Section Three: Socialist Cooperation and Competition

Socialist Cooperation

The social integration of the production process is an important factor determining labor productivity. Cooperation is an important form of the social integration manifested in the production process. Marx stated: "**When numerous laborers work together side by side, whether in one and the same process, or in different but connected processes, they are said to co-operate, or to work in co-operation.**"[1]

This cooperation has different social characteristics and scopes under different relations of production.

Capitalist private ownership of the means of production is the social condition that enables wage laborers to gather together for cooperation. Under capitalism, cooperation is characterized by the fact that the joint labor of workers is subject to coercion by capital. Capitalists develop cooperation in order to intensify the exploitation of workers and extract more surplus value. This capitalist cooperation inevitably provokes workers' resistance and develops into the struggle between the proletariat and the bourgeoisie. At the same time, the scope of cooperation is limited by the scale of capital. From the perspective of an individual capital, capitalist cooperation is planned; from the perspective of society as a whole, however, production and exchange are ungoverned. Among different factories and different capital groups, cooperation is maintained through ordering contracts; consequently, this cooperative relationship is extremely unstable. The capitalists' pursuit of profit at any cost, self-serving exploitation of others, and profit-seeking nature determine that relations among capitalist enterprises must be characterized by mutual deception, the survival of the fittest, and mutual undermining, often causing such cooperative relationships to be interrupted and destroyed.

Socialist cooperation negates the relationship of capital's coercion of labor and the unplanned nature found in capitalist cooperation; it reflects the new relationship of mutual

---

[1] Karl Marx, "Chapter Thirteen: Co-operation," in *Capital*, Vol. I.

support formed by people on the basis of public ownership of the means of production. The purpose of socialist cooperation is to produce more products to meet society's needs. It can transcend the limitations of a single enterprise and proceed in a planned manner throughout society, among different enterprises, different sectors, and different regions. "One factory contributes one component; a hundred factories cooperate. One factory produces one part; a hundred factories form a production line." The force generated by large-scale socialist cooperation is by no means simply the sum of the productive capacities of many enterprises; rather, it creates a new and greater productive force.

Socialist cooperation helps promote the development of the social division of labor and specialization of production.

Lenin pointed out: "**To increase the productivity of human labor in, for instance, the making of some part of a whole product, the production of that part must be specialized, must become a special one concerned with mass production and, therefore, permitting (and engendering) the employment of machines, etc.**"[1] The cooperative relationships typically known as "one-stop" (vertical integration) arrangements, organized among enterprises, create conditions for enterprises to combine and promote one another. They facilitate the realization of the social division of labor and specialization of production, help overcome difficulties that are hard to overcome within the scope of a single enterprise, and rapidly address weak links in production, thereby promoting its rapid development.

> Since the beginning of the Great Proletarian Cultural Revolution, the industrial departments of Changzhou City, Jiangsu Province, have extensively mobilized the masses and conscientiously summed up experience, promptly adjusting those aspects of the relations of production that were incompatible with the development of the productive forces and continually reforming those aspects of the superstructure that were incompatible with the economic base. They have established and developed eight production cooperation lines for walk-behind tractors, corduroy, khaki cloth, printed cloth, chemical fiber, transistor radios, fiberglass products, and plastic products, thereby changing the former situation in which factories were "small but all-inclusive," processes were duplicated, forces were dispersed, and capabilities could not be fully utilized. As a result, Changzhou's industrial landscape underwent enormous changes: from 1966 to 1973, industrial gross output value increased by more than 15% annually on average; during these eight

[1] Vladimir Ilyich Lenin, "On the So-Called Market Question," in *Lenin's Collected Works,* Vol. 1 (Moscow: Progress Publishers, 1972).

years, the accumulation provided to the state was equivalent to five times the gross output value of the fixed assets of the city's original industries and to eleven times the total amount invested by the state during the same period.

Socialist cooperation helps concentrate the necessary human, material, and financial resources to accomplish, in areas such as capital construction and industrial technological transformation, tasks that an individual enterprise, department, or region would find difficult to complete within a short period.

The construction of the Shanghai Petrochemical General Plant is a triumphant song of socialist cooperation. This was the largest construction project in Shanghai since Liberation. Through the joint campaign-style effort of tens of thousands of people from twenty-three municipal bureaus and twenty-three design units, together with vigorous cooperation and support from every part of the country, it took only one year and nine months, counting from January 1, 1974, when construction began and the first foundation pile was driven, to bring six production plants, four auxiliary plants, and the marine oil-unloading terminal, wastewater-discharge tunnel, Jinshan railway branch line, Huangpu River Bridge, residential area, commercial facilities, schools, hospitals, and other installations serving these ten plants into being, as if by magic, on what had once been a beach covered by vast waters at high tide and mud at low tide, and to ignite the first of the eighteen processing units for production.

The technological transformation of the Shanghai textile industry is another example demonstrating the superiority of socialist cooperation. Since Liberation, and particularly since the Great Proletarian Cultural Revolution, under the direction of the relevant leadership departments, the industry's technical forces have been concentrated and deployed, with one or two weak links tackled each year through intensive efforts. Each campaign has advanced the textile industry. In 1970, all the city's ring-spinning machines were transformed, raising the annual cotton-yarn output per spindle from 35 kilograms to 43 kilograms. In 1971, a "People's war" was waged to develop synthetic fibers, doubling their production capacity. In 1972, a campaign-style joint production effort was undertaken to manufacture wide-width looms, increasing the number of high-efficiency wide-width looms in the city by 1.6 times. In 1973 and 1974, efforts were concentrated on developing polyester; in 1974, the output of polyester printed and dyed fabric surged to 42 times the 1965 level. By using socialist cooperation to concentrate forces and wage a war of annihilation in industrial technological transformation, since Liberation, the textile industry built no new factories, and instead relocated or converted more than 80 factories in accordance with national needs: the number of spindles fell by 25%, looms by 18%, and employees by 12%, yet output value grew by nearly four times compared with 1949. The funds accumulated for the state were equivalent to 52 times the state's investment in capital construction in Shanghai's textile industry.

Because the commodity system still exists during the socialist period, the cooperative relations between socialist enterprises are still relations of cooperation based on commodity-money relations; therefore, they too have a dual nature. On the one hand, they constitute a new type of cooperative relationship in which enterprises mutually support one another on the basis of socialist public ownership; on the other hand, they must still follow the principle of exchange of equal values and remain a form of commodity exchange mediated by money. The objectively existing money relations and buying and selling relations between socialist enterprises are the economic base from which capitalist cooperation—placing conditions, looking after one's own interests, being willing to play the leading role but unwilling to play a supporting role, seeking only one's own convenience while disregarding others' difficulties, and even profiting at a neighbor's expense—emerges in the course of cooperation. Therefore, the development of socialist cooperation cannot but be a process of struggle between socialism and capitalism. This is a reflection, in the sphere of cooperation, of the struggle between public ownership and private ownership.

To develop socialist cooperation, it is essential to firmly put proletarian politics in command and handle problems arising in cooperation by taking class struggle as the key link. We must uphold the socialist principle, consciously observe all of the state's fiscal regulations, and resolutely implement the proletariat's various economic policies. In cooperative relations between state-run enterprises and collective enterprises, among state-run enterprises themselves, and among collective enterprises themselves, the principle of exchange of equal values must be observed, with reasonable pricing implemented; contracts must be strictly fulfilled to ensure that cooperation tasks are completed according to type, specification, quality, quantity, and deadline. At the same time, the "Longjiang" style should be promoted: use difficulties to spur ourselves on, give convenience to others, and enable the communist style of cooperation to flourish ever more vigorously.

Socialist Competition

The social integration in the socialist production process is manifested not only in socialist cooperation but also in socialist competition. As a form of social integration in the production process, socialist competition has never before existed in human history. Its emergence indicates that people's mutual relations in the production process have developed to an entirely new stage.

Socialist competition is fundamentally different from capitalist competition. Lenin said: "**Competition means the incredibly brutal suppression of the enterprise, energy and bold initiative of the mass of the population, of its overwhelming majority, of ninety-nine out of every hundred toilers; it also means that competition is replaced by financial fraud, nepotism, servility on the upper rungs of the social ladder.**"[1] In other words, capitalist competition expresses the law of the survival of the fittest in capitalist production. Its principle is that the advanced defeat the backward, expanding their own territory on the basis of the bankruptcy of the latter. Competition is the product of commodity production, particularly commodity production based on capitalist private ownership. It not only deepens the contradictions among capital groups but also, because capitalists always enhance their competitiveness by intensifying the exploitation of workers, inevitably deepens the contradiction between capital and labor.

The principle of socialist competition is "to compare oneself with the advanced, learn from the advanced, catch up with the advanced, and help the backward," thereby achieving common progress and common improvement. This entirely new historical phenomenon of socialist competition can emerge only after the proletariat and all working people have seized state power and become the masters of the state and enterprises. It is a product of socialist public ownership of the means of production and embodies the unity of the fundamental interests of the working people. Lenin pointed out: "**Far from extinguishing competition, socialism, on the contrary, for the first time creates the opportunity for employing it on a really wide and on**

[1] Vladimir Ilyich Lenin, "How to Organise Competition?," in *Lenin's Collected Works*, Vol. 26.

a really mass scale, for actually drawing the majority of working people into a field of labor in which they can display their abilities, develop the capacities, and reveal those talents."[1]

In our country, socialist competition is a form of mass movement carried out under Party leadership, to implement the general line for socialist construction. In the course of the competition, through comparing, learning, catching up, and helping one another, the latest technologies and advanced experience created by the masses are promptly disseminated throughout all sectors and society as a whole. Therefore, socialist labor competition greatly promotes the development of socialist production, technological progress, and the improvement of labor productivity.

Socialist competition is a broad mass movement within the production struggle and an important method for correctly handling the contradictions between advanced and backward elements in production. By comparing enterprises with one another to identify advanced practices and shortcomings, typical examples of the advanced and the backward are discovered; then, within each enterprise, contradictions are exposed—first and foremost, problems in the work of enterprise leadership—after which collective wisdom and effort are mobilized to resolve these contradictions, turning the backward into the advanced and making the advanced even more advanced. In socialist competition, "**Once one contradiction has been overcome, new contradictions will arise, and competition will proceed in the same way. Thus, society will continue to advance.**"[2]

> In 1970, a Shanghai newspaper published the "Comparative Investigation Report on No. 1 Water Pump Factory and Shanghai Water Pump Factory," comparing the situation at Shanghai Water Pump Factory—whose plant was large and whose conditions were good, but where the masses had not been mobilized and production could not be increased—with that at No. 1 Water Pump Factory—whose plant was small and whose conditions were poor, but where the masses had been mobilized and production was thriving. The publication of the investigation report elicited a tremendous response at Shanghai Water Pump Factory. The broad masses of cadres and workers could no longer remain inactive. Driven by a strong desire to rapidly transform the factory's backward situation, they exposed contradictions, identified gaps, and promptly put forward more than 300 suggestions for improvement. The factory's leading cadres

[1] Ibid.

[2] Quotations from Chairman Mao. *People's Daily*, May 24, 1955. (Note from translator: Unable to locate the quote from this issue)

> also corrected their line, improved their work style, went deep among the masses, and mobilized them. Through the efforts of the cadres and masses throughout the factory, its backward situation was rapidly transformed. During the four years from 1970 to 1974, the factory's production advanced by leaps and bounds; its annual output value increased by approximately 20% each year. Its output in a single year is now equal to two and a half times that of four years earlier, while the range of products has also expanded by one and a half times. New products with high pressure, high flow rates, and long delivery heads—ones the factory has previously been unable to produce—are now being manufactured in batches.

Under the conditions of implementing the commodity system in socialist society, the competitive relations and money relations associated with commodity relations will inevitably be reflected in socialist competition as well. Therefore, it is extremely important to uphold putting proletarian politics in command in socialist competition; otherwise, it will bring serious consequences to the socialist revolution and socialist construction.[1] The representatives of the bourgeoisie within the Party always regard competition simply as a means of completing production tasks, and always allow the practices of putting profit in command and material incentives that govern capitalist competition to run rampant in socialist competition, thereby undermining socialist relations of production and corrupting the thinking of the broad masses of workers and staff. The so-called competition advocated by the Soviet revisionist traitor clique and by the likes of Liu Shaoqi and Deng Xiaoping followed the philosophy of bourgeois egoism and the principle of material incentives; its essence was the single word "money." In name it was competition, but in reality it was naked capitalist competition. We must do the opposite. In organizing socialist competition, we must promote communist work attitude and communist style, resolutely struggle against the revisionist line of putting profit in command and material incentives, and ensure that competition develops healthily along the socialist path.

---

[1] The famous Stakhanov movement that emerged in the Soviet Union in the 1930s was a socialist competition launched by the working masses. In this competition, the Soviet working class demonstrated tremendous socialist enthusiasm and creativity, powerfully advancing the development of production and technology. However, in organizing the competition, they failed to uphold putting proletarian politics in command and to persist in communist ideological education. Instead, bonuses were used as a means of stimulating the movement's development. As a result, bourgeois right in material distribution was expanded, bourgeois ideology centered on the pursuit of fame and profit was encouraged, and the socialist mutual relations were seriously corroded by capitalism, ultimately causing the Stakhanov movement to depart from the path of healthy development. This is a lesson worth remembering.

Volume II

Chapter Seven: Socialist Economic Accounting System

Section One: Duality of Economic Accounting

Economic Accounting Is an Important Means of Diligently Practicing Economy.

Economic accounting is a product of the development of production. Once social production reaches a certain stage of development, there arises a need to record, calculate, analyze, and compare production expenditures and production results. This activity of recording, calculating, analyzing, and comparing the production expenditures and production results in the production process (or business process) is called economic accounting, or what is commonly referred to as bookkeeping or keeping accounts. For individual producers, such accounting often takes place only in the producer's own mind and is relatively simple. The more socialized the production process becomes, the greater the importance of economic accounting. Marx pointed out: "**The more necessary the more the process assumes a social scale and loses its purely individual character. It is therefore more necessary in capitalist production than in the scattered production of handicraft and peasant economy, more necessary in collective production than in capitalist production.**"[1]

Economic accounting under socialism differs from economic accounting under capitalism, but this accounting remains connected with commodity and monetary relations, and differs little from that of the old society. The Soviet revisionist traitor clique precisely exploits the aspect in which socialist economic accounting has little difference from the old society,

[1] Karl Marx, "Chapter 6: The Costs of Circulation," in *Capital*, Vol. II, ed. Frederick Engels (Moscow: Progress Publishers, 1956).

vigorously promotes putting profit in command and material incentives, and restores capitalism. To facilitate the struggle against the bourgeoisie within the Party's efforts to restore capitalism, we must first clearly distinguish between economic accounting under socialism and economic accounting under capitalism.

Under capitalist private ownership, economic accounting is governed by the capitalist basic economic law of value. The purpose of capitalist production is to achieve producing surplus value, that is, to exploit the surplus value created by workers. Capitalist economic accounting is always subordinated to this purpose of capitalist production, striving to obtain the greatest possible surplus value with the minimum capital expenditure. For example, the adoption of new technologies and new processes can save raw materials and increase labor productivity; in other words, it can save materialized labor and living labor, and reduce labor time. However, these technologies and processes will be adopted only when they can bring capitalists more surplus value. If hiring more cheap labor can save more capital expenditure and bring capitalists more surplus value than adopting new technologies and new processes, then, even though the new technologies and processes can save labor time, capitalists will not adopt them. This situation shows that "**Capitalist production is very economical with the materialized labor incorporated in commodities. Yet, more than any other mode of production, it squanders human lives, or living-labor, and not only blood and flesh, but also nerve and brain.**"[1]

> In southern Kyushu, Japan, there is a town called Minamata Town, where the monopoly capital company New Japan Nitrogenous Fertilizer Company specializes in producing vinyl chloride and vinyl acetate. To reduce cost and extract higher profit, the capitalists have used the mercury catalyst process since 1950, disregarding the health and lives of workers and residents. As a result, large quantities of toxic water and waste containing methylmercury were discharged into Minamata Bay, severely polluting the seawater and poisoning large numbers of fish. After residents of Minamata ate these fish, they initially developed slurred speech, an unsteady gait, and a vacant facial expression; they then progressed to deafness and blindness, numbness throughout the body, and finally mental derangement, bodily contortions, and death amid howling. Of the 50,000 residents of Minamata Town, more than 10,000 contracted this disease, which consequently became commonly known as "Minamata disease." After an investigation identified the source of the disease, the capitalists still went to every length to conceal the findings and colluded with the

[1] Karl Marx, "Chapter 5. Economy in the Employment of Constant Capital," in *Capital*, Vol. III.

authorities, refusing to alter their production process, thereby causing Minamata disease to spread throughout Japan.

The spread of Minamata disease in Japan fully demonstrates that the saving practiced within capitalist enterprises is, in essence, an intensification of the exploitation of wage labor. Viewed from the perspective of capitalist society as a whole, the unplanned production gives rise to extensive waste, making any genuine saving even more impossible. The periodically recurring capitalist economic crisis causes social production to decline, increases unemployment, leaves large numbers of workers and production equipment idle, and destroys the material wealth created by labor on a massive scale. Such extensive waste caused by capitalism is unavoidable. Therefore, in capitalist society, economic accounting is governed by capitalist economic laws: the saving of labor time in the production of individual enterprises coexists with enormous waste of living labor and materialized labor throughout society as a whole. Under capitalism, this contradiction cannot be resolved.

Under the conditions of socialist public ownership of the means of production, economic accounting is governed by the basic economic law of socialism. The purpose of socialist production is to serve the interests of the proletariat and all working people, and to meet the ever-growing needs of the state and the people. Through labor-time saving, socialist economic accounting promotes the continuous growth of socialist production, thereby enabling it to serve the purpose of socialist production better. At the same time, socialist economic accounting can be carried out not only within individual enterprises but also, because of the existence of socialist public ownership of the means of production, throughout the national economy level. This makes it possible for human, material, and financial resources to be fully and rationally utilized throughout society, thereby achieving greater savings and meeting the needs of the state and the people in greater measure and more effectively.

Economic accounting in the socialist economy, as a means of diligently practicing economy and building socialism with greater, faster, better, and more economical results, is realized through the conscious activity of the broad working masses. Since economic accounting is consistent with the fundamental interests of the working masses, economic accounting in socialist enterprises is not only the work of specialized personnel but also an economic activity

in which the broad masses consciously participate. Work-team accounting, economic supervision organizations, and economic activity analysis meetings in China's socialist enterprises are important forms of the masses managing finance through economic accounting. The participation of the working masses in enterprises' economic accounting activities is required by socialist public ownership and is an expression of the superiority of socialism. The working masses are most familiar with the production process. Having worked on the front line of production year after year, they understand the conditions of their own areas of work most clearly and have the greatest say in increasing production and practicing economy. In factories and other enterprises, when workers participate in work-team accounting and in economic activity analysis at the workshop and enterprise levels, and manage finance as the owners, they not only enable economic accounting to play a greater role and promote the more rapid development of the movement to increase production and practice economy, but also urge enterprise leaders to act in accordance with the Party's line, principles, and policies, enabling enterprises to advance soundly along the socialist path.

Accounting for the socialist economy relies on the working people while also requiring attention to the role of professionals, and combining mass accounting with specialized accounting. Specialized accounting personnel interact with each workshop and work team within the enterprise and therefore have a relatively comprehensive understanding of the enterprise's economic activities. Thus, bringing the working people together with professional personnel helps achieve comprehensive savings and continuously advance the socialist economy with greater speed, efficiency, quality, and economy.

Use-Value Accounting and Value Accounting

Economic accounting compares and accounts for production expenditures and production results in the production process. The socialist production process is the unity of the directly social labor process and the value-creation process. In the directly social labor process, workers consume certain types and quantities of use values while also creating various use values that meet the needs of the state and the people according to plan. Therefore, socialist economic

accounting must account for use values. In the value-creation process, in addition to transferring the old values of the means of production and raw materials to new products, workers also create new value. Therefore, socialist economic accounting must also account for value. Use-value accounting and value accounting constitute the two aspects of socialist economic accounting.

The economic accounting indicators of socialist enterprises, whether they reflect production results or production expenditures, simultaneously have two distinct aspects: use-value accounting and value accounting. Among the accounting indicators reflecting production results, product varieties, output, and quality are indicators of use value, whereas output value and profit are indicators of value accounting. In accounting for and measuring the production results of socialist enterprises, we must consider both use value and value. Only when a socialist enterprise fully achieves the accounting indicators for use value and value in terms of product varieties, output, quality, output value, and profit can it be said that its production results, both in the physical form and in value form, have made the due contribution to ensuring the satisfaction of the constantly growing needs of the state and the people.

The accounting indicators reflecting an enterprise's production expenditures likewise have both use-value accounting and value-accounting aspects. For example, raw-material consumption quotas, auxiliary-material consumption quotas, and equipment utilization coefficients are indicators of use value, whereas the amount by which the costs of comparable products are reduced is an indicator of value accounting. A socialist enterprise can be said to have better implemented the socialist principle of economy only when, in physical form, it does not exceed the consumption quotas for various raw materials and auxiliary materials and does not fall below the utilization coefficients of various major items of equipment, thereby saving the state various useful material resources, while also striving, in value form, to achieve reductions in the costs of comparable products, thereby saving funds for socialist construction. Through value accounting, a socialist enterprise places various forms of use value together according to a unified monetary form of value, so as to conduct a comprehensive comparison of its overall production results and production expenditures, analyze the subjective and objective factors causing increases and decreases, promote comprehensive savings in materialized labor and living

labor, and thereby produce use values in greater quantities, richer varieties, and higher quality to meet the needs of the state and the people.

Value accounting is intended to create use value in greater quantity and of higher quality. In this respect, use-value accounting and value accounting are unified. However, use-value accounting and value accounting are, after all, accounting from two different perspectives, and contradictions also exist between them. This unity of opposites between use-value accounting and value accounting constitutes the duality of accounting in the socialist economy.

The contradiction between use value accounting and value accounting is a manifestation of the contradiction of commodity under socialism. The purpose of socialist production is to ensure that the needs of the state and the people are met; therefore, the state must issue various use value indicators to state-run enterprises. However, socialist production is still commodity production, and while issuing various use value indicators, the state must also issue various value indicators. The value indicators, such as output value and profit remittances, issued by the state to individual state-run enterprises are comprehensive indicators, whereas the use value indicators, such as product varieties, output, and quality, issued by the state are classified indicators. Moreover, because the state plan should not be managed too rigidly, for certain products the state often issues only general product-category indicators without issuing specific varieties or specifications. This causes the performance of state-run enterprises in fulfilling use value accounting indicators and value accounting indicators to vary considerably, and sometimes to differ substantially. It is common for an enterprise to have fulfilled its use value accounting indicators but not its value accounting indicators, or to have fulfilled its value accounting indicators but not its use value accounting indicators.

Changes in prices can also give rise to contradictions between value accounting and use-value accounting. Take the accounting of production expenditures as an example. One often encounters the following situation: when the raw materials consumed in producing a product are accounted for in terms of use value, all the quota targets for the various physical quantities consumed have been met, or even reduced; however, because the price of the raw materials has been raised, accounting in terms of value shows that the monetary amount of the raw materials cost has increased. Similarly, when accounting for production results, one often sees another

situation: over a given period, an enterprise's operating results, when accounted for in terms of use value, show that the product varieties, output, and so forth in physical form have all met the accounting targets. However, because the prices of the products have been lowered, accounting in terms of value shows that the profit remitted in monetary form has failed to meet the plan. These circumstances indicate that when there is a change in price, use-value accounting and value accounting move in different directions and thereby come into conflict.

Under conditions of price changes, a contradiction arises between use-value accounting and value accounting. Then, under conditions of unchanged prices, can a contradiction between use-value accounting and value accounting still arise? Since the price level does not necessarily reflect the magnitude of labor expended in production, and since planned prices set by the state are relatively stable while value is constantly changing, there are times when a contradiction also arises in which use-value accounting and value accounting move in different directions. For example, the use-value accounting targets for products may specify only broad categories, without specifying particular varieties, and we may assume that the prices of these particular varieties have not been adjusted either. However, because the deviations of the prices of the various particular varieties from their values differ, some prices are higher than value while others are lower than value. Consequently, when the use-value accounting targets for the same broad categories are completed to the same extent, from the standpoint of value accounting, the output value targets are relatively easy to fulfill for those particular varieties whose prices are higher than their values; the output value targets are relatively difficult to fulfill for those particular varieties whose prices are lower than their values. Situations of this kind, in which a contradiction between use-value accounting and value accounting arises despite unchanged prices, are also frequently encountered in our practical life.

In value accounting, value indicators such as cost, price, and profit are connected with commodities. Capitalist economic accounting makes use of such economic categories as cost, price, and profit, and socialist economic accounting also makes use of these economic categories. Although the system of ownership has changed, these categories are nevertheless remnants of the private economy and reflect bourgeois right. Their basic feature is to use value and its transformed forms as a unified measure for evaluating production units with different conditions,

masking actual inequality with apparent equality. This is not very different from the old society. Socialist enterprises use value accounting in order to practice economy of labor time more effectively and produce more and better use values needed by society. Value accounting must be subordinated to the dominant aspect of the contradiction, namely, use-value accounting. When use-value accounting and value accounting come into conflict, socialist enterprises are required to ensure the completion of use-value indicators such as product varieties, quantities, and quality. On this premise, they must also, through proper means, strive to increase output value, reduce costs, and increase profits, so as to accomplish all the value indicators at the same time.

However, under conditions of commodity-money relations, capitalist-roaders within the Party could also promote such revisionist poison as "output value first" and "put profit in command," making value accounting the dominant aspect of the contradiction. Under the dominance of "output value first" and "putting profit in command," enterprises would inevitably violate the socialist purpose of production, disregard the rational use of social labor, fail to put the needs of the national economy and people's livelihood first, and instead place the pursuit of output value and profit first. This would inevitably disrupt the state plan, cause an enormous waste of social labor, make certain commodities undersupplied and others oversupplied, and intensify the contradiction between social production and social needs. Under these conditions, as value accounting replaces use-value accounting as the dominant aspect of the contradiction, the nature of economic accounting would also degenerate from socialist to capitalist.

Such contradictions under the commodity system will always continue to arise. However, so long as we follow a Marxist line, closely rely on the broad masses of the working class and poor and lower-middle peasants, uphold class struggle as the key link, and continuously criticize the bourgeoisie within the Party and revisionism, the contradiction between use-value accounting and value accounting can certainly be handled correctly, enabling socialist economic accounting to continue developing along a healthy path.

> The 32-ton mining dump heavy truck produced by the Shanghai Truck Manufacturing Factory is a transport vehicle urgently needed in mining areas. In the past, under the sabotage of Liu Shaoqi's revisionist line of worshipping foreign things and fawning on foreigners, foreign capitalists and Soviet revisionist social imperialism bullied our country, claiming that we could

not manufacture such vehicles and using refusal to supply components to hold us back. For a time, many imported vehicles in mining areas were immobilized because components could not be supplied, becoming scrap iron. The workers of the Shanghai Truck Factory relied on their own efforts and strove for strength, producing their own "Pride" truck in 1969 and supporting mining production. After the 32-ton truck officially entered production, its output increased year after year, but components increased very little. For example, No. 886 Mine had to leave some vehicles idle because supplies of components for domestically produced heavy trucks could not keep up. They said: "The domestically produced 'Pride' trucks supported us in launching a major drive to develop mines and dealt a heavy blow to imperialism, revisionism, and reactionaries. Now that the supply of components has decreased, it has once again become a hindrance to our mining production." When workers from the truck factory visited the mining area, they saw this situation with their own eyes and were deeply shaken. They investigated the production of components at their own factory and discovered that the phenomenon of "emphasizing complete machines while neglecting components" did indeed exist. Why did this happen? It turned out to have been caused by the lingering influence of the principle that "output value comes first." Because if the complete set of components for the same 32-ton truck were assembled into a complete vehicle (including cooperation components manufactured by sister factories), the output value would be more than ten times greater than if each component were calculated separately. Therefore, when some comrades proposed sending all the components for the twenty complete vehicles ready for assembly in the workshop to support the mining area, they encountered resistance. After the two views had been debated, everyone agreed that placing value accounting first, pursuing output value one-sidedly while disregarding the needs of national development, was a manifestation of capitalist economic accounting and had to be criticized. Socialist economic accounting must first ensure the needs of the country and the people in terms of use value. Sending the components for twenty vehicles to the mining area to repair and equip old vehicles could generate use value equivalent to not merely twenty vehicles but several hundred. Moreover, even from the perspective of value, once several hundred heavy trucks were put into operation, the increase in output value in the mining area, together with the increase in output value at the steel mill resulting from its obtaining more ore, would be many times greater than the reduction in output value at the truck factory alone. The workers at the truck factory unified their thinking and happily sent the components for twenty vehicles to the mining area. At the same time, production of components for various types of trucks in 1975 was rearranged, increasing by 40% over the previous year. At the end of the year, the factory's gross output value had not decreased as a result; on the contrary, it had increased by 30% over the previous year.

The Qingjiang Rubber Shoe Factory in Qingjiang City, Jiangsu Province, was originally a small alley workshop producing "Liberation shoes." Later, its superior authorities required the

> factory, while doing a good job of producing "Liberation shoes," to manufacture all-rubber shoes to supply the urban and rural markets. What kind of all-rubber shoes should it produce? Some believed that, as the area of dry fields converted into paddy fields in rural northern Jiangsu continued to expand, it should produce the inexpensive yet good-quality non-slip boots urgently needed by the broad ranks of poor and lower-middle peasants. Others believed that non-slip boots were complicated to manufacture and had low output value, and that poor management might result in losses; it would be better to produce regular rubber shoes with high output value and large profits. One cadre even had a batch of aluminum shoe lasts for these regular rubber shoes made elsewhere and recommended that this product be manufactured immediately. Through investigation and study, they learned that there were already many factories producing regular rubber shoes with relatively high output value, and that supplies were adequate, whereas non-slip boots were urgently needed in the countryside. Some people in the factory were unwilling to produce them—is this not the capitalist management practice of seeking profit at all costs, which was making mischief in the minds of some comrades? Socialist enterprises cannot focus only on output value and profit while disregarding the needs of the people! Thus, all the factory workers decided to produce non-slip boots. After production began, the non-slip boots were welcomed by the poor and lower-middle peasants and sold extremely well; commercial departments in various regions continually requested increased orders. With encouragement from all sides, the factory both met the needs of the poor and lower-middle peasants in terms of use value and relatively successfully fulfilled all its value indicators.

Some people believe that producing more output value and profit is also a contribution to the socialist state, and that the money has not been put into their own pockets—so how could this be considered wrong? This view is incorrect. If a socialist enterprise directs production according to the level of output value and profit, disregarding the people's needs and the state plan, then it will not only fundamentally depart from the socialist purpose of production but also cause a tremendous waste of social labor and bring losses to the state. This is because, in its one-sided pursuit of output value and profit, the enterprise produces only products with high output value and large profit, while the products needed by society are not produced according to the plan. As a result, enterprises that need these products according to the plan cannot obtain them, directly or indirectly affecting a series of enterprises connected with these products and forcing them to suspend work while waiting for materials, thereby causing a serious waste of social labor. On the other hand, products that society does not need or does not urgently need increase severalfold;

these products can only be placed in warehouses, which in turn causes a large amount of capital to be tied up.

Under socialist conditions, neither state-run enterprises nor collectively owned enterprises are permitted to change their production orientation, as capitalist enterprises do, according to the size of output value or the amount of profit, and produce products outside their own planned projects. However, as long as the commodity system exists, there will still be cases in which more capital is diverted to produce certain products within an enterprise's planned projects whose prices are higher than their values. This situation is more pronounced in collective-ownership units.

When this situation is reflected in the market, it creates a "gap" between supply and demand. This "gap" is precisely the fertile soil in which urban and rural capitalism can grow. New bourgeois elements will emerge in successive waves from this soil, purchasing state and collective materials through special channels and engaging in long-distance commercial transport, reselling for profit, price gouging, using public resources for private gain, corruption and malpractice, embezzlement and theft, bribery and graft, and other capitalist activities. If the proletariat does not struggle against such phenomena, socialist enterprises will degenerate and transform into capitalist enterprises, and capitalist forces in society will begin operating even more rampantly.

Therefore, in the process of socialist economic accounting, the contradiction between use value accounting and value accounting ultimately manifests itself as the struggle between the proletariat and the bourgeoisie, and the struggle between the socialist path and the capitalist road. Only by grasping the struggle between the two classes and the two roads as the key can we correctly understand and properly handle this contradiction, ensuring that economic accounting develops along the socialist orientation.

Section Two: Socialist Economic Accounting System

Economic Accounting System Is the Economic System For Managing Socialist Enterprises

The history of socialist society tells us that, in managing socialist state-run enterprises, two systems were adopted in succession. One is a system in which the state exercises fully centralized management over state-run enterprises (primarily industrial enterprises) through the supply system: all means of production and production expenses required by the factories are supplied by the state according to actual needs, while products are not priced and are uniformly allocated by the state. The Soviet Union implemented this management system during war communism. It played a positive role in ensuring supplies for the revolutionary war at that time. However, it is incompatible with the large-scale socialist construction undertaken in peacetime and with the characteristics of socialist economic development, and it is not conducive to fully mobilizing enterprises' initiative to improve operation and management. Therefore, after entering the period of the New Economic Policy, the Soviet Union gradually adopted another management system—the economic accounting system—in accordance with Lenin's advocacy. Lenin explicitly pointed out that the economic accounting system should be the foundation for operating all state-run enterprises. During the period of revolutionary war in our country, the revolutionary base areas also implemented the supply system for the public economy of a socialist nature. After 1942, all agricultural, industrial, livestock, transport, and commercial enterprises began to implement enterprise-based management and gradually shifted to the economic accounting system. After nationwide liberation, the State Council immediately issued relevant regulations, gradually cleared assets and verified capital in state-run enterprises, and comprehensively implemented economic accounting system management.

Then, what is the economic accounting system? Put simply, the economic accounting system is an economic management system that both guarantees unified leadership by the state and gives enterprises relatively independent operating authority. This economic management system is linked to the commodity system. Management under the economic accounting system

requires socialist enterprises to organize production according to the state plan and to obtain compensation in physical form for the things consumed in the production process; it also requires them to compare the consumption and results of economic activities through monetary means, use the enterprises' own income to cover their expenditures, thereby obtain compensation in the form of value, and ensure that profits, including profit and taxes, are remitted to the state.

As a system for managing socialist enterprises in a planned manner, the economic accounting system reflects certain mutual relations between the socialist state and socialist enterprises, as well as between socialist enterprises themselves. We will examine these relationships separately below.

(1) The economic relationship between the socialist state and enterprises. This is a relationship that combines unified leadership by the state with decentralized management by enterprises. As early as 1942, when Chairman Mao instructed all public economic organizations to establish an economic accounting system, he put forward the principle of "**unified leadership and decentralized management**." Unified leadership means that, under the leadership of the Party and the state, enterprises achieve unified understanding, unified policies, unified planning, unified command, and unified action, thereby fully completing or exceeding the state plan. Decentralized management means that enterprises use the productive funds allocated by the state and, in accordance with the planned tasks assigned by the state, organize production, supply, and sales activities. Each state-run enterprise has relative independence in its operations, calculates its own profits and losses, relies on its own income to cover its expenditures, and provides accumulation for the state. Specifically, the following relationships exist between the socialist state and socialist state-run enterprises:

Based on the overall national economy plan, the state allocates a certain amount of funds to each enterprise and issues various planning indicators; in accordance with the state's planning requirements, each enterprise must properly use the funds, organize production rationally, and fully accomplish all the planning indicators assigned by the state, without modifying the plan on its own.

In accordance with the needs of comprehensive balancing of the national economy, the state uniformly sets product prices, and important products are also uniformly allocated by the

state. Enterprises must increase income and accumulation by continuously raising labor productivity and reducing costs, and may not change prices at will. All net income of state-run enterprises belongs to the state. Enterprises shall pay taxes and remit profits in accordance with state regulations. Depreciation funds retained by enterprises shall also be used in accordance with state regulations. The employees of all state-run enterprises are assigned by the state according to plan; enterprises have no right to recruit or dismiss personnel independently. The wage system of enterprises is also uniformly prescribed by the state and may not be altered independently.

However, the circumstances of individual enterprises vary enormously and are exceptionally complex. It is impossible for the state to impose unified arrangements on every matter, and excessively rigid control would also constrain enterprises' enthusiasm for conducting business. Therefore, the state's unified leadership must be combined with the decentralized operation of enterprises.

Under unified leadership of the state, enterprises enjoy a certain degree of operational independence and maintain their own independent accounts at banks. On the basis of fully completing the production of the products stipulated in the state plan, enterprises may, according to their own production capacity, conclude separate economic contracts with other enterprises and settle their mutual accounts independently, each acting as an economic unit.

"**Unified leadership and decentralized management**" embodies the relationship between the socialist state and state-run enterprises, and reflects an important aspect of socialist relations of production. The clique of Liu Shaoqi, Lin Biao, and Deng Xiaoping, in an effort to undermine the socialist economic foundation, always strenuously opposed the principle of managing the economic accounting system under socialism through "**unified leadership and decentralized management**." They attacked the socialist planned economy as "simple" and "rigid," claiming that it was not as "flexible" or "diverse" as the capitalist economy; they demanded that socialist enterprises "earnestly learn from the capitalists" and "accept the legacy of the bourgeoisie"; and they demanded that the Party and the government not "interfere in the economy," but grant enterprises the "authority to independently handle all economic affairs," turning them into completely independent accounting enterprises. Their aim was to transform

socialist enterprises into economic groups that each pursued its own policies and opposed one another, setting them on the capitalist economic path of pursuing profit and competing with one another. At the same time, Liu Shaoqi, Lin Biao, Deng Xiaoping, and their associates also vigorously pursued "sectional dictatorship," attempting to turn the socialist economy into an economy of bureaucratic monopoly capitalism. In the process of managing socialist enterprises through the economic accounting system in accordance with the principle of "**unified leadership and decentralized management**," the struggle between two classes, two roads, and two lines is pervasive. Therefore, we must uphold putting proletarian politics in command, correctly understand and handle the contradictions arising in the process of economic accounting, resolutely struggle against the influence of the revisionist line and bourgeois ideology, and, while upholding the state's unified leadership, give full play to enterprises' subjective initiative. Only in this way can we continuously improve the mutual relations between the state and enterprises and promote the development of enterprises along a socialist orientation.

(2) Economic relations between socialist enterprises. These are relations of mutual cooperation and relatively independent accounting. Enterprises that implement the economic accounting system, whether state-run enterprises or the various commune-run enterprises within the same commune and the various brigade-run enterprises within the same brigade, all belong to the same owner. Their economic dealings are relations within the same ownership system. This is fundamentally different from the economic dealings between capitalist enterprises belonging to different private owners. However, under conditions in which the economic accounting system is implemented, these socialist enterprises are also individual units that conduct relatively independent accounting and relatively independent operations. Therefore, when economic ties and mutual cooperation arise between enterprises, they must implement the principle of exchange of equal values and conduct bookkeeping and settlement in order to calculate economic results.

Because there are extensive economic ties between socialist enterprises, and because each enterprise must conduct economic accounting within these ties, contradictions in economic interests may sometimes arise between enterprises. Under the guidance of the proletarian revolutionary line, such contradictions between socialist enterprises can be resolved through the

comprehensive balancing of the state plan and the unified arrangements of higher-level departments. The inter-enterprise relations required by the socialist economic accounting system must be independent accounting on the basis of mutual cooperation. Every socialist enterprise is, on the one hand, a relatively independent operating unit, but on the other hand, it is also a component of the unified socialist economy. If one starts only from independent accounting and considers equivalent exchange in isolation, this will hinder the development of the communist spirit of cooperation. It would then differ little from capitalist economic accounting. Therefore, when socialist enterprises engage in exchanges involving labor, material resources, and financial resources, they must promote the communist spirit of cooperation; on this basis, they must implement equivalent exchange. Only this constitutes the kind of economic relations between enterprises required by socialist economic accounting. All enterprises, proceeding from the overall interests of the national economy, support and cooperate with one another; this will inevitably help consolidate and develop the socialist relations of production between enterprises and develop socialist production more rapidly, efficiently, economically, and effectively.

> The Shanghai Special-Shaped Steel Tube Factory is a typical example of correctly handling economic accounting relationships among socialist enterprises. Whenever they receive a production assignment, if a sister unit urgently needs the products, they will complete it by every possible means, even if the output value is low. As the workers aptly put it: from the perspective of their own factory, this is "subtraction," but from the perspective of the user unit, having the necessary steel tubes enables it to begin production or expand production in a timely manner, turning it into "addition"; and from the perspective of the entire realm of the national economy, it could accelerate the pace of socialist construction, turning it into "multiplication." For more than a decade, the workers at the Shanghai Special-Shaped Steel Tube Factory does this day after day, treating the difficulties of sister units as their own difficulties, regarding the needs of the state as the direction for their enterprise's production development, and always keeping in mind the socialist purpose of production. During the eight years from 1966 to 1973, the variety and specifications of the tubes produced by the factory increased nearly fourfold compared with the eight years before the Cultural Revolution (1958–1965); special-shaped tubes increased nearly tenfold, providing vigorous support for national construction and for the production and development of sister units.

The relationships between the state and enterprises, and between enterprises, established under the economic accounting system were intended to enable enterprises, under unified leadership by the state, to fully exercise their sense of responsibility and initiative in

management, fully tap their potential, and strictly practice increasing production and practicing economy, thereby helping consolidate socialist public ownership and helping the state exercise planned management of the socialist economy. The Lin Biao clique spread such arguments as “If accounts are not kept for three years, the money will not run abroad either” in order to oppose economic accounting and undermine the socialist state’s management of the national economy, so that new and old bourgeois elements could fish in troubled waters, steal socialist property, undermine the socialist economy, and restore capitalism.

Specific Contents of Economic Accounting System

The economic accounting system is an effective system for managing socialist enterprises in a planned manner and developing socialist production rapidly, efficiently, and economically. It includes the following specific aspects:

(1) The state exercises unified leadership and planned management over state-run enterprises, setting planning targets for enterprises, including product varieties, output, quality and output value, labor productivity, cost, profit remittances, and other indicators; enterprises must be responsible for the state plan and fully achieve all the indicators prescribed by the state.

(2) In accordance with the production and operational needs of state-run enterprises, the state, after verification and approval, allocates a certain amount of funds to the enterprises (working capital and fixed capital), enabling them to maintain their own circulation of funds and preventing production from being frequently disrupted by funding shortages.

(3) Enterprises organize production in accordance with tasks prescribed by the state, sell products at prices prescribed by the state, use the proceeds from sales to cover expenditures, and remit profits to the state as prescribed, thereby providing accumulation for the state.

(4) The income and expenditure of state-run enterprises should be governed by appropriate systems and procedures; costs should be calculated; there should be a system for inspecting the extent to which annual and monthly production plans have been fulfilled; and there should be systems for conserving raw materials and caring for tools, so as to cultivate the habits of conserving raw materials and taking good care of tools.

(5) All economic relations between state-run enterprises, as well as between state-run enterprises and collectively owned enterprises, must adhere to the principle of exchange of equal values. Major economic relations between enterprises must also be formalized in advance through economic contracts. Every socially owned enterprise must conscientiously fulfill its contractual obligations and jointly be accountable to the state.

Collective ownership enterprises organize production under the guidance of the state plan, sell commodities at prices prescribed by the state, operate independently, and bear responsibility for their own profits and losses, thereby increasing collective income and accumulation. At the same time, they provide accumulation for the state by paying taxes.

At the present stage, rural people's communes in our country basically still practice three-level collective ownership by the commune, production brigade, and production team. The commune, brigade, and production team are all independent accounting units responsible for their own profits and losses, with the production team serving as the basic accounting unit. The collective funds of the production team are paid in and accumulated by commune members; they are not allocated by the brigade or the commune. The commune and brigade are responsible for leading, assisting, and supporting the production teams in developing the collective economy, but may not divert production-team funds to develop the commune-owned or brigade economy.

Within the collective ownership economy of rural people's communes, the commune exercises management over commune-run enterprises, and the brigade over brigade-run enterprises, under an economic accounting system. The commune and the brigade each exercise unified leadership over their respective commune-run and brigade-run enterprises, while allocating a certain amount of funds to each enterprise and requiring it to use those funds responsibly, complete on time, and in accordance with the required quality and quantity, the planned production tasks assigned by the state, commune, or brigade; cover its expenditures with its own income; and fulfill or exceed the accumulation tasks prescribed by the commune or brigade.

As can be seen from the content of the economic accounting system described above, managing enterprises through an economic accounting system still requires the use of such

economic categories as funds, costs, price, and profit. However, these categories in the socialist economic accounting system reflect socialist relations of production and serve to consolidate and develop socialist relations of production. We will now examine the characteristics of these economic categories individually:

The funds of socialist enterprises are fundamentally different from the capital of capitalist enterprises. Capital is value that generates surplus value, reflecting the capitalists' relation of exploitation of working people. The funds of socialist enterprises are the monetary expression of state or collective property. Socialist enterprises use these funds to conduct production and business activities, comply with the requirements of the basic economic law of socialism, and serve extended reproduction in socialist society and the satisfaction of the continuously growing needs of the state and the people.

Socialist enterprises conduct fund accounting to ensure that state and collective property is not infringed upon and is put to rational and effective use. According to the different ways in which their productive funds circulate during the production process, enterprises can divide them into fixed capital and working capital. The physical form of fixed capital is manifested in fixed assets such as factory buildings and machinery and equipment. Factory buildings, machinery and equipment, and similar assets perform their functions repeatedly in the production process, and their value is gradually transferred to the products. In accordance with the depreciation methods for fixed assets prescribed by the state, enterprises accrue a depreciation fund, enabling their fixed assets to be continuously renewed and giving them the capacity to carry out necessary technological modernization. In addition to accounting for depreciation of fixed assets, enterprises must also calculate the fixed capital utilization rate, reflecting the extent to which fixed capital is utilized, in order to expand their production capacity without increasing fixed capital.

Socialist enterprises must also account for working capital. Working capital consists of the funds an enterprise uses to pay for objects of labor (raw materials), employees' wages, and various expenses incurred in the sale of finished products. After raw materials complete one production cycle, they change their form, and their value is therefore transferred in full to the new products. In the continuous cycle of working capital, the less time each turnover requires,

the more times it can turn over within a year. Therefore, enterprises must also calculate the working-capital quota and turnover speed in order to use the same amount of working capital to support the production and sale of more products.

The production costs of socialist enterprises and those of capitalist enterprises are economic categories of fundamentally different natures. The production costs of capitalist enterprises represent the consumption of capital; a reduction in the production costs of capitalist enterprises means the economization of capital and intensification of the exploitation of workers. The production costs of socialist enterprises are the expenses incurred in producing a given product. They basically include the value of the means of production consumed and that portion of the newly created value allocated for the producers' personal consumption. Deducting these two portions from the total value of the product constitutes the enterprise's profit. Therefore, through cost accounting, enterprises continuously reduce their production costs; this means constantly saving labor time and increasing labor productivity, thereby enabling the state or the collective to provide more accumulation.

The role of cost reduction in socialist construction can be seen in outline from the following simple figure: estimated on the basis of the figures for 1972, every one-percent reduction in the total costs of China's state-run industrial enterprises can generate additional accumulation for the state equivalent to the investment required to build three Nanjing Yangtze River Bridges.

The main ways for socialist enterprises to reduce costs are:

(1) Fully mobilize the socialist enthusiasm of the working masses, improve workers' technical proficiency, continuously carry out technical innovation, adopt new technologies, and increase labor productivity in order to reduce labor-hour consumption per unit of product.

(2) Reduce the consumption of raw materials and various other materials; rationally select new, more economical raw materials; promote the comprehensive utilization of raw materials, turning waste into value; improve formulations; adopt new processes; and take other measures to reduce raw-material consumption per unit of product.

(3) Fully tap the potential of existing equipment and improve equipment utilization rate in order to reduce the depreciation expense allocated to each unit of product.

(4) Streamline the workforce and administration, improve the efficiency of enterprise administrative management, improve transportation, supply and marketing, and other work, and strive to reduce enterprise management expenses.

The profits of socialist enterprises are the net income created by the working people, and they are primarily used to expand socialist production and improve people's lives.

The profitability of the socialist economy can also be examined from the perspective of the whole national economy. Under certain conditions, a socialist state may allow some enterprises to remain temporarily unprofitable or even operate at a loss. For example, among the inland industry and local industries developed to achieve a rational distribution of industry throughout the country, some individual enterprises may be temporarily unable to make a profit because of limitations imposed by their conditions. However, the development of these industries serves the long-term interests of the national economy and helps build a strategic rear area with a strategically deep, unbreakable, and unstoppable layout. Therefore, even though these enterprises cannot make a profit temporarily, the state must still support their development.

Similarly, for certain industrial products—especially new products, new materials, and products supporting agriculture—some enterprises producing these products may operate at a loss for a certain period. Nevertheless, developing these products benefits the development of industrial construction and agricultural production. In the interests of the national economy as a whole, and to consolidate the worker-peasant alliance, temporary policy-based planned losses may be permitted. We call this profitability, examined from the perspective of the overall interests of the national economy, "advanced profit." This advanced profit embodies the superiority of socialism. Of course, this absolutely does not mean that the profitability of individual enterprises or departments is unimportant, nor can it serve as an excuse for losses caused by poor management in individual enterprises. Ultimately, the profitability of the national economy is still built on the profitability of individual enterprises and departments. Therefore, enterprises operating temporarily at a loss should strive to improve management, reduce cost, seek to minimize losses, turn losses into profits, and actively provide the state with accumulation.

The profits of socialist state-run enterprises are the main source of socialist accumulation. Socialist enterprises must both criticize "putting profit in command" and oppose the erroneous thinking that disregards costs, pays no attention to profitability, and fails to focus on increasing accumulation for the state. "Putting profit in command" means disregarding the state plan and the needs of the state and the people, pursuing profit alone, directing production through profit, and using profit as the power driving production. This is a capitalist operating principle and must be criticized. By putting proletarian politics in command, arranging tasks according to the Party's line, principles, and policies and the tasks set out in the state plan, and increasing socialist profits through increasing production and practicing economy, we make a contribution to the socialist revolution and socialist construction. Among the state budget revenue of our country, payments from state-run enterprises (profit remittances, taxes, etc.) account for more than 90%. If enterprises cannot actively increase accumulation for the state, or even cause unwarranted losses, this will negatively affect state budget revenue, hold back the socialist revolution and construction, and affect the fulfillment of internationalist obligations.

In short, the state's implementation of the economic accounting system for enterprises is intended to better implement Chairman Mao's following instruction: "**Every socialist economic enterprise must strive to make the fullest possible use of its manpower and equipment, improve the organization of labor, improve management and administration, and raise labor productivity; economize on all manpower and material resources that can possibly be saved; and implement labor competition and economic accounting, thereby reducing costs year by year, increasing individual incomes, and increasing accumulation.**"[1]

[1] Mao Zedong, "Remarks on 'The Experience of the Liziyuan Agricultural Producers' Cooperative in Zhenru District in Saving Production Expenses,'" in *The Socialist Upsurge in China's Countryside*, Vol. 2 (Beijing: People's Publishing House, 1956), 768.

Section Three: An Analysis of the Soviet Revisionists' "Full economic accounting system"

To comprehensively restore capitalism in the Soviet Union, the Brezhnev traitor clique carried out a series of so-called "economic reforms." One important measure of these "reforms" was the introduction of the so-called "full economic accounting system" in enterprises. The "full economic accounting system" implemented by the Soviet revisionist traitor clique is an excellent negative example. An analysis of this product of the revisionist line will help us understand how the bourgeoisie, by expanding and strengthening the role of the law of value, turned the economic accounting system into a tool used by the bureaucratic monopoly bourgeoisie to maintain its rule economically and intensify its extraction of the blood and sweat of the working people.

What exactly is the "full economic accounting system" of Soviet revisionism?

The "full economic accounting system" is simply free enterprise under capitalism.

Under the leadership of Lenin and Stalin, the Soviet Union was once the first country in human history to establish an economic accounting system within a socialist economy. At that time, the Soviet power, following Lenin's advocacy, implemented an economic accounting system in socialist state-run enterprises. This system of enterprise management was stipulated in a resolution of the Central Committee of the All-Union Communist Party (Bolsheviks) as follows: "The maintenance of the enterprise, the correct organization of supply - the most perfect organization of labor within the enterprise, the complete implementation of one-man management in production, the creation of the most favorable conditions for maximum activity of the working collective and technical personnel of the enterprise, the selection of qualified administration, the necessary degree of independence of the enterprise - are the basis for further improving the management system of socialist industry."[1]The independence granted to enterprises by a socialist state is independence under conditions of state plan management. This

[1] "Resolution of the Politburo of the Central Committee of the All-Union Communist Party of Bolsheviks," in *Transcripts from the Soviet Archives Volume II*, 262

is an important principle of the economic accounting system, and it is fundamentally opposed to free enterprise in capitalist enterprises.

The Soviet revisionist traitor clique precisely revised this Leninist principle. They vigorously advocated: "The number of planned targets set for enterprises by higher-level organizations must be reduced" and "the operational initiative and independence and autonomy of enterprises in resolving production-related issues must be expanded" (the Soviet revisionist resolution on industrial management and economic incentives, 1965). The product production plan for enterprises contained only two indicators:

(1)Total sales volume or sales value of products.

(2) The most important product varieties expressed in physical terms

In the production of most of their products, enterprises are free to act as they please. They produce whatever they want and do whatever is most profitable. Lenin pointed out long ago: "**Without comprehensive state accounting and control of the production and distribution of goods, the power of the working people, the freedom of the working people, cannot be maintained, and that a return to the yoke of capitalism is inevitable.**"[1] Yet under the Soviet revisionists' "full economic accounting system," apart from the product targets prescribed by the authorities for some products of certain enterprises, "all other planning targets need not be approved by the superior authorities but are formulated independently by the enterprises" (1965 resolution of the Soviet revisionist Central Committee and Council of Ministers, "On Improving Planning and Strengthening Economic Incentives for Industrial Production"); enterprises are allowed "to have the right to modify their own production plans after reaching an agreement with consumers (customers)," and "plans should be based on consumers' orders," thereby expanding the enterprises' "independence" and "autonomy" and promoting free enterprise activities on a large scale. Is this not a reproduction of competition and the unplanned production under the monopoly capitalism?

The "full economic accounting system" is precisely the implementation of the capitalist principle of profit.

---

[1] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government," in *Lenin's Collected Works*, Vol. 27.

As we analyzed earlier, economic accounting under a given social system is always consistent with the production objectives of that same society. Capitalist economic accounting is subordinate to the basic economic law of capitalism, with the aim of achieving value increment of capital and appropriating profit; it is not aimed at saving social labor or producing more use value to meet social needs. Socialist economic accounting is subordinate to the basic economic law of socialism, with the aim of developing socialist production greater, faster, better, and more economically, so as to provide more use value to meet the ever-growing needs of the state and the people. The realization of value, labor-time saving, and providing the state with accumulation all serve the aforementioned production objectives. When value and use value come into conflict, priority must first be given to use value and to social needs. That is to say, if society needs a certain product, it must still be actively produced even if producing it may result in a loss.

However, implementing the "full economic accounting system" means that "the ruble decides everything" (April 8, 1967, the Soviet revisionist *Leningradskaia Pravda*), with everything aimed at making money. The Soviet Union traitor clique and its pet economists vigorously proclaimed: "The most important comprehensive indicators of corporate finance are profit and profitability rate." Value accounting has became the principal aspect of the contradiction in economic accounting, and all of an enterprise's production and business activities revolve around the "millstone" of profit. In explaining the purpose of capitalist production, Marx said: "**Production of surplus-value is the absolute law of this mode of production.**"[1] What governs the "full economic accounting system" of the Soviet revisionists is precisely the capitalist principle of profit.

Since profit had become the "most important comprehensive indicator," the pursuit of profit became the highest objective of production, and all of an enterprise's business activities consequently had to serve this objective. To that end, it was necessary to expand the operational autonomy of enterprises (or "production association companies under the economic accounting system," hereinafter the same). Once enterprises gained greater power, the bureaucratic monopoly bourgeoisie elements within them could recklessly pursue profit through all sorts of devious means. And that is precisely what happened:

---

[1] Karl Marx, "Chapter Twenty-Five: The General Law of Capitalist Accumulation," in *Capital*, Vol. I.

The Soviet revisionist magazine *Kommunist* admitted in 1970: "Some enterprises seek to increase profits by producing the products that are more advantageous to them or by eliminating from production those products that are unprofitable (although these products are very much needed by the national economy)." The Soviet revisionist *Economic Newspaper* admitted that the Saratov Enamelware Factory had originally planned to produce 147,000 pots with capacities of 1.5 to 5.5 liters in 1970, but, because these products yielded low profits, it produced only 47,200. At the same time, however, in order to obtain bonuses, it exceeded its production plan for large pots, which required less labor, by 100%. As a result, large enamelware products piled up, while ordinary people could not buy the small enamelware items they needed.

Soviet revisionist enterprises could set product prices themselves; even for product prices set uniformly, they could set their own prices under the pretext of a "one-time temporary price negotiation." As a result, arbitrary price gouging became an important means of profiteering.

On May 23, 1970, the Soviet revisionist *Sotsialisticheskaya Industriya* reported: Many furniture factories arbitrarily raised wholesale and retail price levels in numerous cases and sold products at prices set at will. As a result of arbitrarily inflating prices, the 36 furniture factories under the Ministry of Forestry and Wood Processing Industry obtained nearly five million rubles in additional profit in 1969. In May 1969, the Soviet revisionist *Economic Newspaper* admitted: "A one-time effective provisional wholesale price can, as a rule, guarantee an unjustifiably high profitability rate." On one occasion, the Chimkent Electrical Appliance Factory produced products subject to a one-time effective provisional wholesale price, and their profitability rate was as much as seven times higher than the profitability rate for all the factory's products. For precisely this reason, many enterprises for a long time classified large quantities of products as "provisional-price" products capable of generating excess profits. *Economic Newspaper* acknowledged that, within the General Administration of the Cable Industry of the Soviet Union's Ministry of Electrical Components Industry alone, there were as many as 500 so-called "provisional-price" products.

In the Soviet Union, the practice of using so-called "new products" to covertly raise consumer-goods prices and reap exorbitant profits remained widespread. According to the Soviet revisionist journal *Planned Economy*, 1972, no. 2: "The price authorities approve the prices of more than 500,000 new consumer goods products every year." For example, a "Mountaineer" brand semiconductor radio originally cost 17 rubles per unit; after its casing was replaced, it became a so-called "new product," and its price was raised to 27 rubles.

Soviet revisionist enterprises can decide on their own to dismiss workers and set wage standards themselves; this enables them, like capitalist enterprises, to "save production costs" and achieve the goal of value augmentation by intensifying the exploitation of workers.

> The so-called "Schekino experiment," which the Soviet revisionists vigorously publicized and promoted, involved intensifying the exploitation of workers by arbitrarily dismissing them, as capitalist enterprises do. According to the Soviet revisionist newspaper *Trud*, by July 1, 1973, the 292 enterprises in the Russian Federation that were "working according to the Schekino model" had already laid off 70,000 people; the dismissal of the overwhelming majority of these workers was directly or indirectly related to increasing labor intensity. In the Soviet Union, the arbitrary dismissal of workers by members of the bureaucratic monopoly bourgeoisie, as well as cases in which workers, unable to endure harsh working conditions, were forced to "voluntarily resign," was extremely common, resulting in serious labor turnover. According to the Soviet revisionist journal *Socialist Labor*, in 1972, employees who left industrial employment accounted for 20% of all industrial workers, or nearly six million people.

The Soviet revisionists' implementation of the full economic accounting system and their vigorous promotion of putting profit in command will inevitably hinder the adoption of new technologies, cause a tremendous waste of social labor, impede the development of the social productive forces, and fully expose the rottenness of social imperialism.

> An article published in the Soviet revisionist journal *Money and Credit* acknowledged that in 1969 the actual profitability rate of Soviet industry was 40% higher than the normal level, while that of the instrument manufacturing industry was even 1.9 times higher and that of the telecommunications industry 1.6 times higher. Such a high profitability rate "undermines the collective interest of enterprises in updating products." The Soviet revisionist *Economic Newspaper* said: "If new processes, new technologies, and equipment renewal are adopted, output, bonuses, and profits will decrease for a certain period, and this is a disaster for enterprise managers"; consequently, "the factory gates are blocked like dams, preventing new technologies from entering." The Soviet revisionist journal *Kommunist* disclosed: "Relatively cheap labor power hinders the development of technological progress, because from the perspective of improving the profitability-rate indicator, using manual labor is more economical than using machines to replace manual labor." At present, manual labor accounts for more than half of Soviet industry. The journal *Money and Credit* also disclosed that, according to an analysis of more than one hundred machine-building plants in Moscow, Leningrad, and the Middle Urals, when the proportion of products manufactured using new technologies in total output value was 10%, the profitability rate was 30%; but when the proportion of products manufactured using new technologies reached 50%, the profitability rate nevertheless fell to 8-10%. Thus, in pursuit of high profits and high bonuses, enterprises are naturally unwilling to purchase

> and use new technologies. In today's Soviet Union, the failure to adopt and promote new technologies, and the resulting artificial obstruction of the development of the productive forces, is by no means an isolated phenomenon but a serious problem widespread throughout Soviet society.

The "full economic accounting system" is a system of exploitation that intensifies the exploitation of the working people of the Soviet Union.

Enterprises implementing the "full economic accounting system" adopt the "profit sharing" method. The so-called "profit sharing," according to the provisions of the Soviet revisionist "Regulations," means that "a portion is deducted from the profits obtained and placed at the enterprise's disposal," while the remainder is turned over to the state, controlled by the bureaucratic monopoly bourgeoisie, for disposal.

The profit retained by the enterprise forms an economic incentives fund. It is used primarily for material incentives. The greater the profit, the larger the enterprise's material incentives fund.

Then, who controlled this enterprise stimulus fund, and whose pockets did it mainly end up in?

The Soviet revisionist "Regulations" stipulate that the authority to distribute bonuses belongs to the manager. Since the bureaucratic monopoly bourgeois elements within the enterprises have the authority to distribute bonuses, the bonuses were naturally swallowed up mainly by them.

> According to disclosures in the Soviet-revisionist *Economic Problems* magazine, among more than 700 factories and enterprises surveyed, the workers, who made up 80–90% of the enterprise workforce, received only 18% of the bonuses, while the relatively few managers, plant managers, and a small number of technical personnel appropriated 82% of the bonuses. In some factories, the bonuses allocated to workers were even smaller, accounting for only 0.3–0.8% of the entire reward fund. The workers angrily pointed out: "The characteristic of the 'new system' is that the workers complete the plan while the leaders collect the bonuses."

The Soviet revisionists' "full economic accounting system" prompted bureaucratic monopoly bourgeois elements of all sizes to brazenly expand and strengthen bourgeois right and seize the fruits of the Soviet people's labor. They also used bonuses and other means to buy off

and coddle a small number of worker aristocracy, thereby intensifying class stratification in Soviet society.

It can thus be seen that the "full economic accounting system" is a tool used by the Soviet revisionist bureaucratic monopoly bourgeoisie to restore capitalism. It reflects the relations of production under bureaucratic monopoly capitalism: it changes the original relations between socialist enterprises and the state into cold, impersonal money relations (that is, profit-sharing relations);[1] it changes the original socialist cooperation between enterprises into a deceitful competitive relationship, and changes the socialist relations within enterprises into relations between exploiters and the exploited—that is, wage-labor relations. The Soviet revisionist bureaucratic monopoly bourgeoisie controls economic accounting, and all their calculations ultimately serve to enrich themselves, make the working people increasingly poor, and produce the most reckless waste throughout society. This contradiction can be resolved only after the proletariat of the Soviet Union achieves victory in a second socialist revolution.

[1] Soviet revisionists' "Regulations on Socialist State-Owned Production Enterprises," Article 9: "The state is not responsible for the enterprise's obligations, and the enterprise is not responsible for the state's obligations." One of the Soviet revisionist leaders said: "The development of economic methods for directing industry has itself changed the nature of the relationship between enterprises and superior authorities. The customary notion that, in the relationship between economic management organs and enterprises, the former have only rights while the latter have only obligations should be abandoned" (Soviet revisionist *Pravda*, September 28, 1965).

Part Three: The Socialist Circulation Process

Chapter Eight: Commodity Exchange in Socialist Society

Section One: Exchange Relations and Their Characteristics in Socialist Society

Several Types of Exchange Relations in Socialist Society

The means of production and means of consumption consumed in the socialist production and reproduction process must pass through the circulation process in order to be compensated in both physical form and value form. Otherwise, reproduction could not continue. Therefore, after conducting a preliminary analysis of the socialist production process, we will proceed to analyze the socialist circulation process.

The socialist circulation process remains a process of commodity exchange. Commodity exchange is an important breeding ground for the incubation of capitalism and the bourgeoisie. Under socialism, the emergence of a new bourgeoisie and the activities of the capitalist-roaders within the Party to restore capitalism are all inseparably linked to commodity exchange. How can socialist commodity exchange based on public ownership become the economic base for the emergence of capitalism and the bourgeoisie? If commodity exchange is still to become the economic base for the emergence of capitalism and the bourgeoisie, why should socialist society continue to retain commodity exchange? And how can the socialist state under the dictatorship of the proletariat, while carrying out commodity exchange, struggle against capitalism and the bourgeoisie and advance socialist society? To clarify these questions, it is first necessary to analyze the several types of exchange relations existing in socialist society.

After the socialist transformation in the ownership of the means of production was basically completed, the following three types of exchange relations still existed in socialist society:

The first type was exchange relations between different owners within the sphere of the socialist public ownership economy. The commodity exchange between the socialist state-owned economy and the collective economy (including exchange between commune members of rural people's communes and state-run commerce), as well as commodity exchange between one collective economy and another, all belonged to this type of exchange relation.

At the present stage of our country's development, industrial production is mainly operated by enterprises under public ownership, while agricultural production is mainly operated by rural people's communes under collective ownership. State-run industrial departments require the grain, non-staple food, and various agricultural raw materials produced by rural people's communes, while rural people's communes require the agricultural machinery, chemical fertilizers, pesticides, and other means of production, as well as various means of consumption, produced by state-run industrial departments. Between the state-owned economy and the collective economy, an exchange relationship will inevitably arise in order to obtain the products each needs. When commune members of people's communes purchase daily-use industrial products from state-run stores, this is in fact also a form of exchange between the state-owned economy and the collective economy.

Among the collective economies of rural people's communes, there is a need to exchange what each has and balance surpluses and shortages with regard to seeds, breeding livestock, draft animals, and the like. There is also a need for the various levels of collective economy within the same rural people's commune—for example, between the commune livestock farm, the brigade livestock farm, and the production team livestock farm, and between the commune agricultural machinery repair and manufacturing plant, the brigade agricultural machinery repair station, and the production teams—to exchange what each has and obtain certain products from one another. Therefore, commodity exchange relations will inevitably arise both among the collective economies of different rural people's communes and among the various levels of collective economy within the same commune.

Second, exchange relations within the socialist economy based on ownership by the whole people. They include commodity exchange between socialist state-run enterprises, as well as commodity exchange between socialist state-run commerce and employees.

In the socialist production process, some state-run enterprises engage in the production of means of production, while others engage in the production of means of consumption. State-run enterprises engaged in the production of means of consumption need to obtain the necessary means of production from state-run enterprises producing means of production in order to carry out production. State-run enterprises engaged in the production of means of production also need to obtain from one another the means of production they require in order to carry out production. Thus, among state-run enterprises, exchange relations inevitably arise in order to obtain the products each requires.

For employees working in state-run enterprises, state organs, and cultural, educational, and public health departments, the state provides labor remuneration in the form of money wages, in accordance with the socialist principle of "from each according to their ability, to each according to their work." Employees use the money they receive to purchase various consumer goods at state-run stores. This exchange of commodities between state-run commerce and employees is, in fact, an exchange relationship between the state and employees.

Third, exchange relations associated with the remnants of the individual ownership economy. In addition to the commodity exchange between the residual individual workers in industry, agriculture, and commerce and the workers and peasants, this exchange mainly refers to commodity exchange among peasants, between peasants and urban residents, and between peasants and commercial departments.

Under conditions in which commune members of rural people's communes retain reserved plots and household sideline production, they sell the surplus products from their reserved plots and household sideline production to commercial departments, or, in accordance with state policy, sell them directly at rural markets to commune members and urban residents, in order to obtain the products they need. This is also a form of exchange.

It accounts for a very small proportion of total commodity circulation, but remains necessary at the present stage. This is because it helps increase commune members' incomes,

supplement the socialist market with a certain amount of commodity resources, and meet urban residents' needs for non-staple food.

The three types of exchange in a socialist society reflect the process by which socialist labor products are transformed from commodities into the directly social products of future communist society. Capitalist society is one in which commodity production and commodity exchange have developed to their peak. There, not only do all labor products appear in the form of commodities, but workers' labor power also becomes a commodity. The future communist society, by contrast, is one in which commodity production and commodity exchange have completely disappeared. At that time, all labor products, including consumer goods and means of production, will be objects of direct social distribution and will no longer appear as commodities. In the socialist society during the transitional period from capitalist society to communist society, labor products undergo a process of transformation from commodities into the directly social products of communism. This is a historical process lasting several hundred years, but the beginning of this transformation can already be seen in the three types of exchange mentioned above.

The third type of exchange mentioned above is commodity exchange based on private ownership; in many respects, it shares the same nature as commodity exchange in the old society. The first type of exchange is commodity exchange based on socialist public ownership. Viewed as commodity exchange between different owners, it differs little from commodity exchange in the old society; however, it is conducted in a planned manner on the basis of socialist public ownership, and thus differs from commodity exchange under capitalism, which is entirely subject to competition and ungoverned. The second type of exchange is commodity exchange within the scope of ownership by the whole people. Compared with the historical commodity exchange between different owners, its difference is considerably greater. Commodity exchange between socialist state-run enterprises does not fundamentally alter ownership of the products: after the exchange, the products remain state property. This already contains an element of the direct social distribution of means of production. As for exchange between the state and its employees, since labor power is no longer a commodity, this commodity exchange also differs

from commodity exchange in the past and already contains an element of the direct social distribution of consumer goods.

The three different types of exchange in a socialist society differ in their forms and nature, but all of them are exchanges of labor. When state-run enterprises and collective economies exchange their respective products, this constitutes an exchange of labor between workers and peasants. Similarly, when state-run enterprises exchange products with one another, or collective economies exchange products with one another, this constitutes an exchange of labor between workers or between peasants. This is because all products are the material embodiment of labor. As long as different economic departments exist, this kind of labor exchange will exist even in a communist society. No economic department can achieve complete self-sufficiency by producing all the products it needs. However, under socialist conditions, labor exchange must also take the form of commodity exchange, which makes the issue more complicated.

Under socialist conditions, apart from the remnants of a small amount of individual ownership economy, social production as a whole is carried out on the basis of the two forms of socialist public ownership, namely state ownership by the whole people and collective ownership. Socialist public ownership is a form of public ownership that is not fully mature and retains the traditions or traces of private ownership. Production carried out on the basis of this form of ownership, the products produced, and the labor that creates these products all possess direct sociality while also retaining the traditions or traces of private character. All collective ownership enterprises are the owners of their respective products. All state-run enterprises are not only the owners of their respective products in relation to collective ownership enterprises, but, owing to the relative independence of enterprise management, also maintain a “you-and-me boundary” among themselves. Thus, the socialist enterprises linked through the social division of labor can obtain the products of other enterprises only through commodity exchange, implementing equivalent exchange.

In the history of commodity exchange, we have already passed through two major stages. Under the conditions of simple commodity production, the entire exchange process is represented by the following formula: commodity (C)—money (M)—commodity (C).

"**Consumption, the satisfaction of wants, in one word, use-value, is its end and aim.**"[1] Under the conditions of capitalist commodity production, the entire exchange process is represented by another formula: money (M)—commodity (C)—money (M). Since the M at both ends of this formula is money serving as the universal equivalent and is qualitatively identical, if the quantities of M at both ends were equal, this exchange formula would be entirely meaningless. Therefore, the formula M-C-M must necessarily take the form M-C-M'; it can have meaning only if there is value increment. Thus, under the conditions of capitalist commodity economy, the commodity circulation formula C-M-C of the simple commodity economy must necessarily develop into the capital circulation formula M-C-M'. This is what Marx pointed out: "**Its leading motive, and the goal that attracts it, is therefore mere exchange-value.**"[2] These two forms of commodity exchange reflect different social relations, have different aims, and are fundamentally distinct in principle.

Under socialist conditions, how does the process of commodity exchange manifest itself? This is a question that people often consider.

Viewed from the ultimate purpose of commodity exchange under socialism, it appears to be the same as exchange under conditions of simple commodity production: satisfying needs, that is, realizing use value. However, it still differs qualitatively from exchange under conditions of simple commodity production. Simple commodity production is based on individual ownership. Generally speaking, each household constitutes a production unit; consequently, in the processes of production and exchange, it can only submit to regulation by the law of value, and polarization is particularly intense. Commodity production in socialist society is based on public ownership and collective ownership; consequently, in the processes of production and exchange, a law of planned and proportionate development emerges, making it possible to regulate commodity production and exchange nationwide. The scope of the law of value, however, has already been greatly restricted, and generally speaking, stratification of the kind found under conditions of individual ownership will not occur. Moreover, the needs being satisfied are also different: simple commodity production satisfies the personal needs of the

---

[1] Karl Marx, "Chapter Four: The General Formula for Capital," in *Capital*, Vol. I.

[2] Ibid.

producers themselves, whereas commodity production in socialist society satisfies the needs of society. Marx said: "**The capitalist mode of appropriation, the result of the capitalist mode of production, produces capitalist private property. This is the first negation of individual private property, as founded on the labor of the proprietor. But capitalist production begets, with the inexorability of a law of Nature, its own negation. It is the negation of negation. This does not re-establish private property for the producer, but gives him individual property based on the acquisition of the capitalist era: i.e., on cooperation and the possession in common of the land and of the means of production.**"[1] All members of society jointly own the means of production, consciously use their many individual labor powers as a single social labor power, produce and consume jointly, and every member of society is a master of the social products. In this sense, this social ownership is indeed the return of "individual ownership," but a return at a higher stage. Once that stage is reached, the exchange process of social labor will be neither selling in order to buy nor buying in order to sell; the formulas C-M-C and M-C-M' will both leave the stage of history; products will no longer be transformed into commodities and therefore will no longer manifest themselves as value. Beginning with its own needs, society will carry out the process of producing and distributing directly social products. Socialist society has not yet reached the point of society-wide ownership of all means of production; two forms of public ownership still exist.

Under socialism, if we take an isolated segment of the enterprise production process, we can still observe the form of the monetary funds circulation M-C-M'. However, even the increased amount of value realized in this partial circulation is not surplus value brought to capital by the transformation of labor power into a commodity; it is new value created by workers, as masters of society, for society—Social net income. This new value still serves to satisfy the needs of workers and to further expand the production of use values. Therefore, when examined from the standpoint of the overall production process under socialism, social production is essentially C-M-C production. In socialist society, M-C-M' is merely one segment of the entire capital funds circulation, and its existence is not isolated; it is subordinate to C-M-C. Accordingly, commodity exchange under socialism may also be described as exchange under

---

[1] Karl Marx, "Chapter Thirty-Two: Historical Tendency of Capitalist Accumulation," in *Capital*, Vol. I.

conditions of simple commodity production expanded and raised to a higher stage. Their common features are that both aim to satisfy needs and realize use value; both are C-M-C, and both involve selling in order to buy. The only difference is that under socialism, satisfying needs through commodity exchange is not for one household or another, but for thousands upon thousands of households—that is, to satisfy the needs of the state and the people.

However, "**the production of commodities, their circulation, and that more developed form of their circulation called commerce, these form the historical ground-work from which [capitalism] rises.**"[1] Socialist society arose from capitalist society; as long as commodity circulation—that is, C-M-C—continues to exist, capitalism and the bourgeoisie will emerge. In other words, under certain conditions, commodity exchange aimed at realizing use value, namely C-M-C, will still transform into M-C-M', aimed at pursuing surplus value, causing the C-M-C circuit to become subordinate to the M-C-M' circuit and thereby turning money into capital. This is because, regardless of the type of commodity exchange, the value of the commodity must be realized. The value of a commodity is determined by the necessary quantity of labor expended in producing it, namely, socially necessary labor time. Here, value manifests itself as the embodiment of bourgeois right. In order to realize the value of commodities, a "mania for pursuing value" will arise, thereby fundamentally negating the purpose of socialist production and exchange, which is use value. Phenomena such as putting profit in command and speculation and profiteering that emerge in the course of socialist commodity exchange are, in reality, carrying out the transformation of C-M-C into M-C-M', causing the latter to acquire an independent significance. Once this transformation is completed, labor power will once again become a commodity, money will once again be transformed into capital, and capitalism will be restored. This is how the Soviet revisionist traitor clique proceeded along the path of restoring capitalism through commodity exchange.

---

[1] Karl Marx, "Chapter Four: The General Formula for Capital," in *Capital*, Vol. I.

Bourgeois Right in Exchange Relations

If exchange in a socialist society continues to take the form of commodity exchange, bourgeois right will necessarily exist. Further analyzing and recognizing the bourgeois right present in the exchange relations of socialist society, and consciously restricting it under the dictatorship of the proletariat, are of great significance for continuously improving those exchange relations and creating the conditions for gradually transitioning, in the future, to the direct distribution of products in a communist society.

The law governing commodity exchange is equivalent exchange. Marx said: "**[Exchange of commodity] in its normal state is an exchange of equivalents.**"[1] This means that, in principle, commodities are exchanged according to the amount of socially necessary labor they contain, that is, their magnitude of value. On the surface, this appears to be very equal, but in reality it is unequal. In capitalist society, capitalists rely precisely on the principle of exchange of equal values to purchase workers' labor power and thereby extract the workers' unpaid labor. Between capitalists and small producers, the conditions of production are different. Capitalist enterprises with abundant capital and modern technical equipment expend far less labor in producing the same commodity than small producers do. However, commodities can be exchanged only according to the same amount of socially necessary labor as the measure; this inevitably produces inequality in income and leads to polarization in which the big fish devour the small fish and the small fish devour the shrimps. It is perfectly clear that the equal rights in equivalent exchange are a form of bourgeois right and in reality contain inequality: they benefit the bourgeoisie but harm the workers; they benefit the big bourgeoisie but harm the petty bourgeoisie. In the eighteenth and nineteenth centuries, the bourgeoisie, in order to safeguard bourgeois right, attacked the Feudal system under the political slogans of demanding equal rights and fairness. Engels pointed out: "Labor determines commodity value, and products of labor are freely exchanged according to this measure of value among commodity owners with equal rights. These—as Marx has already demonstrated—are the real foundation upon which the entire

[1] Karl Marx, "Chapter Five: Contradictions in the General Formula of Capital," in *Capital*, Vol. I.

political, legal, and philosophical ideology of the modern bourgeoisie is built."[1] In socialist society, although socialist public ownership has been established and workers are the masters of the means of production and do not sell their labor power as a commodity, bourgeois right is no longer socially recognized in this respect. However, as far as products in general are concerned, they are still exchanged as commodities. Although the production conditions of the various production units differ, and the actual labor time expended in producing the same product differs, in principle exchange must still follow the same amount of socially necessary labor. For example, in commodity procurement, commercial departments cannot set different procurement prices for different units producing the same product merely because their production conditions differ; they can procure products only at state-unified prices. This means that, in commodity procurement, the state recognizes only the socially necessary labor required to produce a given commodity and does not recognize the differing actual labor times expended by individual production units. This encourages backward enterprises to advance, but it also brings unequal incomes to units with different production conditions. Likewise, in the procurement of agricultural and sideline products, the state currently still implements the method of "premium sales and bonus prices for above-quota purchases." This method also brings unequal incomes to units with different production conditions. The procurement of products from production units with different conditions according to a unified measure still embodies a form of bourgeois right.

Commodity exchange must be mediated by money. The value of commodities entering into exchange must also be expressed as price. Because of the contradiction between commodity supply and demand, the principle of exchange of equal values "**exists only on the average and not in the individual case.**"[2] In every commodity exchange, achieving equivalence and complete agreement between price and value is impossible in any society. The price of a commodity may diverge from its value; various commodities with equal magnitudes of value may be sold on the market at different prices. This is yet another manifestation of bourgeois right in commodity exchange.

---

[1] Frederick Engels, "Preface to the First German Edition," in "The Poverty of Philosophy," by Karl Marx, (Progress Publishers, 1955).

[2] Karl Marx, "Critique of the Gotha Programme."

In capitalist society, under conditions of competition and unplanned production, the tendency toward exchange of equal values can manifest itself only through fluctuations in market prices, through the continual divergence of price of value, sometimes above and sometimes below. In socialist society, the commodities exchanged in market trade may also exhibit fluctuations in price, rising or falling. In the planned market, commodity prices are not formed spontaneously through market competition but are determined in a planned manner by state organs. However, the prices of various commodities established according to the plan also deviate from value to varying degrees. The production units of commodities whose prices are higher than their value can obtain greater income through exchange; conversely, they can obtain only less income, thereby creating de facto inequality.

In socialist exchange, it is unavoidable that bourgeois right still exists. The socialist state of the dictatorship of the proletariat must, in accordance with the interests of the proletariat, also make use of it to serve socialist construction. However, bourgeois right in commodity exchange is also the soil in which capitalism and the bourgeoisie arise.

From the perspective of human history, the merchant class emerged with the third major social division of labor. "**Without in any way participating in production, captures the direction of production as a whole and economically subjugates the producers; which makes itself into an indispensable middleman between any two producers and exploits them both.**"[1] With the formation of this genuinely parasitic social class, the commodity system based on private ownership was ultimately established. Later, capitalism and the bourgeoisie also emerged through the incubation of the sphere of circulation, arising from the stratification of small commodity producers. This historical phenomenon deserves attention: it tells us that wherever a commodity exchange system is implemented, there exists fertile ground for the emergence of capitalism and the bourgeoisie.

In socialist society, individual peasants and artisans have already embarked on the road of collectivization; however, each collective ownership enterprise remains a different owner. Because the technical equipment and natural conditions of the various collective production units differ, and because the amount of labor expended in producing the same commodity differs, the

---

[1] Frederick Engels, "IX. Barbarism and Civilization," in *Origins of the Family, Private Property, and the State.*

income brought to each collective production unit under conditions of exchange of equal values also differs, giving rise to the distinction between poor and rich teams. The divergence between the prices and values of various agricultural and sideline products provides an economic base for capitalist tendencies to pursue products with high prices and large profits. At the same time, collective peasants retain a small amount of reserved plots and household sideline production, while a small number of non-agricultural individual workers still exist in society. Under these circumstances, the habitual influence of small producers and the idea among some rich peasants of achieving personal wealth and prosperity cannot be eliminated immediately. Some among them whose capitalist ideas are particularly strong will exploit bourgeois right in commodity exchange to stir up trouble in market trade, or exploit contradictions between supply and demand in commodity exchange to engage in long-distance commercial transport, speculation and profiteering, and other capitalist activities.

In the case of socialist state-run enterprises, because their technical equipment and operation and management conditions differ, the amount of labor expended in producing commodities also differs; consequently, even exchange of equal values will bring different incomes to different state-run enterprises. When all these different incomes are turned over to the state for unified allocation and use, they will not produce differences in personal income. However, they will affect how these state-run enterprises fulfill their profit targets. When commodity prices diverge from value, some enterprises will depart from the socialist purpose of production and arrange commodity production and commodity exchange solely according to the levels of cost, price, and profit, pursuing output value targets and sales targets one-sidedly: emphasizing the operation of major commodities while neglecting minor ones; emphasizing the operation of large components while neglecting small components. If the revisionist line gains a dominant position, enterprises will implement the policy of putting profit in command, disregarding the needs of the state and the people: they will undertake whatever brings high profits, undertake little of what brings low profits, and undertake nothing that brings no profit. Meanwhile, they will set aside the commodities most urgently needed by the people and devote themselves exclusively to operating commodities whose prices exceed their value, so as to earn

greater profits. If this continues to develop, socialist relations of production will consequently degenerate into capitalist relations of production.

The principle of commodity exchange will also intrude into the political life of the Party and the state. The bourgeoisie within the Party will inevitably use their authority to alter the healthy political life of the Party and the state in accordance with the principle of commodity exchange, turning relations between people into "**naked self-interest,**" and into "**callous 'cash payment'**",[1] and even treating themselves as commodities and demanding exorbitant prices from the Party and the people.

Therefore, commodity exchange in a socialist society, whether viewed in terms of its form or its substance, is a breeding ground for capitalism and the bourgeoisie, with little difference from the old society. It must be restricted under the dictatorship of the proletariat, and vigilance must never be relaxed.

The Soviet revisionist traitor clique and its pet economists, in order to promote the revisionist line of restoration of capitalism, go to great lengths to deny that the commodity exchange system is a remnant of the old society. Since Brezhnev came to power, economic circles in the Soviet Union have gone even further in whitewashing the commodity system, to meet the needs of the so-called revisionist line of "economic reform," while vigorously attacking the correct view that the commodity system under socialism embodies the traditions or traces of the old society, claiming that this view is "a major obstacle to correctly understanding commodity-money relations under socialism" and must be "overcome." They also tirelessly spread the myth that commodity-money relations under socialism will not produce capitalism and the bourgeoisie, asserting that "the use of commodity-money relations cannot lead to personal enrichment or the emergence of capitalist elements." Their purpose is precisely to conceal the criminal reality of the restoration of capitalism in the Soviet Union and to manufacture a theoretical basis for a small handful of the bureaucratic monopoly bourgeoisie to exploit the working people of the Soviet Union.

---

[1] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party.*

Section Two: Role and Limitations of Socialist Commodity Exchange, and Struggle Between Restrictions and Counter-Restrictions

Promoting Development of Production and Improvement of People's Standard of living

In the process of social reproduction, production plays a decisive role. Without production, exchange would be impossible. Moreover, the depth, scope, and forms of exchange are all determined by production, which constitutes the material foundation of socialist commodity exchange. Chairman Mao pointed out as early as 1942: "**The general policy guiding our economic and financial work is to develop the economy and ensure supplies.**"[1] Only with the development of industrial and agricultural production can there be sufficient means of production to meet the needs of further production development and expanded capital construction, as well as sufficient consumer goods to supply the market and continuously raise the people's standard of living. Without the development of industrial and agricultural production, it is impossible to manage socialist commodity exchange well.

However, exchange is by no means a negative or passive factor in production. Engels said: product trade "**governed as a whole by production**," but "**in its turn reacts on the movement of production.**"[2] Production and exchange "**constantly determine and influence each other to such an extent that they might be termed the abscissa and ordinate of the economic curve.**"[3]

The exchange of means of production among state-run enterprises mediates the material exchange among all regions of the country, all sectors of the national economy, and all

---

[1] Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War," in *Selected Works of Mao Zedong*, Vol. III, 111.

[2] Friedrich Engels, "Engels to Conrad Schmidt In Berlin," in *Marx and Engels Correspondence*, (International Publishers, 1968).

[3] Friedrich Engels, "I. Subject Matter and Method," in *Anti-Dühring.*

enterprises; it is an important guarantee for the normal operation and accelerated development of production. The planned proportional development of the national economy requires the planned allocation of means of production among the various sectors; the planned allocation of means of production must, in turn, be realized through the planned exchange of means of production. The planned exchange of means of production, carried out according to production needs and in a timely manner, with the required quality, quantity, product types, and specifications, plays an important role in promoting production and the development of the national economy.

The exchange between the two socialist forms of public ownership is the bridge between agriculture and industry, the link between production and consumption, and the intermediary connecting socialist ownership by the whole people with the collective ownership economy, and the cities with the countryside. The purpose of this exchange is to promote the development of industrial and agricultural production and meet people's demand for industrial and agricultural products. The smooth exchange of industrial and agricultural products helps promote mutual support between industrial and agricultural production and between urban and rural areas, consolidate the worker-peasant alliance, and strengthen the class foundation of the dictatorship of the proletariat. As Lenin pointed out: "**Commodity exchange is a test of the relationship between industry and agriculture**";[1] "**The economic essence and foundation of socialism is neither appropriation nor tax, but exchange of the product of large-scale ('socialized') industry for peasant produce.**"[2]

To fully leverage the positive role of socialist exchange in production and consumption, it is necessary to properly handle the various contradictions arising in the exchange process.

In the process of exchanging means of production among socialist state-run enterprises, what occurs on a large scale is the contradiction between production and needs. The circulation of means of production from producing enterprises to consuming enterprises is an extremely complex process. The means of production produced by one state-run enterprise must be supplied for consumption by hundreds or even thousands of state-run enterprises; likewise, one

---

[1] Vladimir Ilyich Lenin, "Instructions of the Council of Labour and Defence to Local Soviet Bodies: Draft," in *Lenin's Collected Works*, Vol. 32 (Moscow: Progress Publishers, 1965).

[2] Vladimir Ilyich Lenin, "Plan for the Pamphlet The Tax in Kind," in *Lenin's Collected Works*, Vol. 32.

state-run enterprise needs means of production supplied to it by hundreds or even thousands of state-run enterprises. Since the varieties, specifications, and models of means of production are numerous, a shortage of key materials will naturally make production impossible, while even a shortage of auxiliary materials will seriously affect production. In the course of the rapid development of the socialist national economy, although the growth rate of production of means of production is generally faster than that of means of consumption, it is a frequent occurrence that the quantity, quality, varieties, specifications, and other characteristics of means of production cannot meet the needs of the rapid development of the socialist cause. This contradiction between the production of means of production and needs necessarily manifests itself as contradictions among the central and local authorities, the various economic departments and regions of the national economy, and the various state-run enterprises.

Under socialism, these contradictions are not resolved through the spontaneous operation of the law of value amid competition and unplanned production, as they are in capitalist society. Rather, they are resolved continuously mainly by establishing a materials management system in accordance with the requirements of the law of planned development of the national economy and on the basis of the principle of "unified leadership, hierarchical management, and divided responsibility," through the formulation of supply plans for means of production.

The practical experience of socialist construction in China shows that, in the process of exchanging means of production, how to handle the contradiction between production and needs has always involved an intense struggle between two classes, two roads, and two lines. The line of the bourgeoisie within the Party for resolving this contradiction either advocates "free enterprise" or advocates "sectional dictatorship." Handling the contradiction between production and needs according to this line is not only unfavorable to the close coordination between the production and consumption of means of production, but will also destroy that coordination; it is not only unfavorable to the continuous improvement, in accordance with the socialist principle, of the mutual relations among enterprises, regions, and departments, as well as between the central economic departments and local economic departments, in the process of exchanging means of production, but will also destroy these relations and allow capitalist relations to run rampant.

Even before the Great Proletarian Cultural Revolution, Liu Shaoqi, Deng Xiaoping, and their group vigorously promoted the revisionist line of "high monopoly" in the materials management system, energetically enforcing "sectional dictatorship" and tightly restricting local authorities. In the circulation of the means of production, phenomena such as "nationwide centralized dispatching" and "nationwide coordinated supply" once emerged; these were products of "sectional dictatorship." As a result, production, supply, and sales became seriously disconnected, the initiative of local authorities and enterprises to develop production was constrained, socialist ownership by the whole people was undermined, and production was damaged. The socialist revolution and socialist construction are the cause of the hundreds of millions of people. "Sectional dictatorship" completely stifled the enthusiasm of hundreds of millions of people for building socialism. This was dictatorship of the bourgeoisie in practice, under the name of strengthening unified central planning and leadership.

Chairman Mao's instruction to "**Under the central unified plan, let localities handle more affairs**"[1] is a powerful critique of "sectional dictatorship." On the basis of criticizing "sectional dictatorship," our country has reformed the materials management system in accordance with the principle of "unified leadership, hierarchical management, and divided responsibility"; in a differentiated and step-by-step manner, we have adopted the method of "under unified state planning, implementing regional balancing, differential allocation, variety adjustment, and ensuring deliveries to the state." This requires that, on the premise of unified state planning and local authorities' ensuring deliveries to the state, local authorities be allowed to handle more matters and locally balance and coordinate the raw materials and equipment produced in their regions. Correctly implementing this method will help put into practice Chairman Mao's great strategic policy of "**prepare for war, prepare against famine, and serve the people**"; help strengthen the Party's unified leadership over economic work; help gradually establish industrial systems in each cooperation region and in many provinces; help mobilize the initiative of both the central and local authorities; help properly manage the mutual relations

[1] Under the Guidance of the Great Leader Chairman Mao's Proletarian Revolutionary Line, the Situation of Our National Economy Is Excellent," *People's Daily*, January 1, 1971.

between the central and local authorities, between regions, and between enterprises; and promote the development of production.

However, shortly after Deng Xiaoping, the biggest capitalist-roader within the Party, returned to work, he frantically sought to overturn the verdict on the Great Proletarian Cultural Revolution and revive "sectional dictatorship." He slandered the decentralization of the materials management system as "scattering," seeking to halt and reverse the ongoing reform of the materials management system; in his so-called "Regulations," he even openly clamored: "What should be centralized must be centralized and mustn't be decentralized." This was one of the important measures by which Deng Xiaoping pursued the counterrevolutionary revisionist line in the economic sphere: "recentralize power to remedy decentralization."

The materials management system reformed by the proletarian Great Proletarian Cultural Revolution greatly has mobilized the enthusiasm and initiative of localities and enterprises to manage materials well. In planned allocation, organized supply, clearing warehouses and tapping hidden potential, and balancing surpluses and shortages, a lively and vigorous situation has emerged. In materials balancing work, examples of breaking down the boundaries between industries and enterprises, emphasizing the line, considering the overall situation, displaying a spirit of selflessness, and supporting one another have appeared one after another. Deng Xiaoping's attack on the so-called "scattering" of the reform of the materials management system was an excuse for reviving "sectional dictatorship."

There have also been problems of "scattering" in materials management work: some enterprises and units each developed their own "reserves," each sought its own "connections," treated their neighbors' difficulties as an opportunity, engaged in free exchange, and so on. This tendency toward capitalist liberalization has profound social-economic and political-ideological roots throughout the historical stage of socialism. However, much of this "scattering" have been an evil consequence of Deng Xiaoping's revival of "sectional dictatorship." "Sectional dictatorship" treated the various industrial "sections" arising from the social division of labor as "independent kingdoms" into which not even a needle could be inserted and from which not even water could be poured out, binding the hands and feet of factories and enterprises tightly; at the same time, it left a large gap in the supply of raw materials, forcing factories and enterprises

to seek their own connections, thereby allowing the tendency toward capitalist liberalization in the circulation of means of production to run rampant. Thus, this kind of "scattering" is the inevitable product of the wholesale imposition of "sectional dictatorship."

The situation is also quite complex in the process of commodity exchange between enterprises under socialist ownership by the whole people and collectively owned enterprises, as well as among collectively owned enterprises themselves. The objects exchanged are primarily consumer goods, but also include some means of production. Within these complex commodity-exchange relations, the contradiction between production and needs will also persist for a long time. This contradiction is specifically manifested in the contradictions between commercial departments and the agricultural and industrial sectors, as well as between commercial departments and consumers.

The contradictions between socialist commerce and agriculture are mainly manifested in the proportion of agricultural and sideline products purchased and retained, purchase prices, purchasing methods, and the supply and prices of industrial products. The production of agricultural and sideline products consists partly of commodity production used to meet social needs and partly of subsistence production used to meet the peasants' own needs. Given that the level of agricultural mechanization is not yet high and agricultural production is easily affected by natural conditions, the commodity rate of agricultural products in our country remains relatively low. For example, in 1974, the commercial grain supplied by peasants accounted for only 21.6% of total grain output. Under these conditions, properly arranging the proportion of agricultural and sideline products to be purchased and retained is of great importance. The principle for properly arranging this proportion is to ensure both that the state obtains the necessary quantity of agricultural and sideline products and that peasants' production and living needs are properly accommodated. While purchasing agricultural and sideline products, socialist commerce must also do a good job of supplying industrial products to the countryside, striving to ensure a two-way flow and fully meet the needs of socialist agricultural production and peasants' lives. The purchase prices of agricultural and sideline products and the supply prices of industrial products directly affect the amount of peasants' income, as well as extended reproduction in agriculture and the state's accumulation. Reasonable purchase prices for agricultural and sideline

products and supply prices for industrial products must be established so that the exchange of industrial and agricultural products maintains a relationship of equivalent or approximately equivalent exchange. Only by handling the contradiction between commerce and agriculture according to socialist principles can we promote the exchange of goods between urban and rural areas, mobilize peasants' enthusiasm for socialist production, promote the development of industrial and agricultural production, and consolidate the worker-peasant alliance.

The relationship between socialist commerce and industry is primarily a relationship within the state-owned economy. State-run industry engages in production, while state-run commerce engages in sales. Conflicts frequently arise between industry and commerce over whether the quantity, quality, variety, assortment, and price of industrial products meet market needs. Generally speaking, industrial production is relatively stable, whereas market needs are generally changeable. The contradiction between relatively stable industrial production and changing market needs often gives rise to conflicts between industry and commerce. Other conflicts result from poor coordination between the production and sales plans of industry and commerce, as well as from insufficient investigation and research into developments and changes in production and the market and their underlying patterns. However, generally speaking, the conflicts between industry and commerce cannot be separated from interference by the erroneous line and the influence of capitalist business thinking. To resolve these conflicts correctly, the industrial and commercial departments must, in accordance with socialist principles, closely coordinate with one another. Commercial departments must strengthen investigation and research, report on needs, actively assist industrial departments in developing production, expand the range of products, improve quality, and fully exercise their own initiative. Industrial departments, for their part, must meet the procurement needs of commercial departments as far as possible, ensuring that supplies are provided on time and according to the required quality, quantity, varieties, and specifications.

The contradictions between production and needs in the process of commodity exchange between industry and agriculture ultimately manifest themselves as contradictions between socialist commerce and the broad consumer population. With the rapid development of industrial and agricultural production and the continuous increase in the people's purchasing power, the

people have come to demand greater variety in food, clothing, and daily necessities. Correctly handling the contradictions between commerce and agriculture and between commerce and industry is the prerequisite for correctly handling the contradictions between commerce and consumers. To resolve the contradictions between commerce and consumers properly, commercial workers must also further develop the belief that they should serve the people wholeheartedly and promptly address the contradictions that continually arise. Our country's commercial workers put it well: "The three-foot counter is limited, but service to the workers, peasants, and soldiers is unlimited." With this belief, socialist commerce will, in accordance with the various needs of the workers, peasants, and soldiers, actively organize sources of supply, rationally allocate commodities, properly arrange the socialist market, create diverse forms of service for the workers, peasants, and soldiers, and assume the responsibility of better organizing the people's economic life.

Struggle Between Restriction and Counter-Restriction in Field of Commodity Exchange

In the sphere of commodity exchange, the proletariat seeks to restrict bourgeois right, while the bourgeoisie will certainly resist by every possible means. Therefore, the struggle between the proletariat and the bourgeoisie in socialist exchange is, in essence, a struggle between restriction and counter-restriction. This struggle is extremely fierce and will persist for a long time. In the Soviet Union, capitalism has been fully restored in the sphere of exchange and has run rampant. This fact is significant for our thorough understanding of the sharp and complex class struggle in the sphere of exchange.

The Soviet Union traitor clique frantically expanded bourgeois right in the sphere of exchange, turning socialist commerce, which was intended to develop socialist production and improve the people's lives, into capitalist commerce with the pursuit of profit as its highest aim.

> In today's Soviet Union, capitalist commercialization has been implemented in the circulation of the means of production. As early as 1955, the Supreme Soviet of the Soviet Union abolished the provisions adopted in 1951 prohibiting the sale and exchange of unused equipment and materials.

Beginning in 1957, the direct purchasing and selling system for production and marketing units was introduced, and important means of production, such as automobiles, tractors, and electrical machinery and equipment, were to be sold freely, while the system of planned allocation and distribution was abolished. In 1965, it was further stipulated that enterprises could freely buy and sell "surplus" means of production and rent out factory buildings and equipment that were "temporarily unused." In rural areas, meanwhile, the Supreme Soviet of the Soviet Union adopted the "Principles of Land Legislation" in 1968, stipulating that collective farms had the right to transfer or, under the guise of loans for use, rent out "state-owned" land. The new "Model Charter of Collective Farms" promulgated by the Soviet Union in 1969 stipulated that collective farm chairmen had the right to freely buy and sell agricultural machinery and other means of production. As the Soviet revisionists successively removed various restrictions in the field of commodity circulation and expanded the scope of commodity transactions without limit, one-third of the means of production entered the channels of wholesale commerce, while two-thirds were freely to be bought and sold by the enterprises on the supply and demand sides.

The circulation channels for means of consumption have also degenerated into capitalist circulation channels. Capitalist operating principles aimed at pursuing profit dominate the sphere of circulation. State-owned stores bearing the Brezhnev brand raise prices for consumers, shortchange them on quantity, substitute inferior goods for quality ones, and engage in fraud; they also impose extended working hours and intensified labor on commercial employees in order to extract more surplus labor. In addition to state-owned stores, the Soviet Union has three free markets for the sale of consumer goods: the collective farm market, consumer cooperatives' high-price commerce, and the free market for industrial consumer goods. 70% of the Soviet Union's collective farm markets are located in cities, where morning and evening prices differ and all kinds of speculation and profiteering activities are rampant. Consumer cooperatives' high-price commerce also deals in agricultural and sideline products. It operates by purchasing at high prices and selling at high prices, while also handling commission sales, and differs little from the collective farm market. Many high-price cooperative businesses are located inside collective farm markets. The commodities sold in the free market for industrial consumer goods are mostly obtained through embezzlement, theft, connections, bulk purchasing, and privileges from "internal stores," or bought from and resold to foreign tourists and sailors. Most of the commodities sold there are goods that have been unavailable for long periods in state-owned stores or cannot be bought there at all; their prices are generally two or three times higher than those in state-owned stores. Many sellers in the free market for industrial products are speculators and profiteers who transport goods over thousands of miles. Like the collective farm market, the free market for industrial products is also a paradise for speculators.

In socialist society, the bourgeoisie inside and outside the Party, in order to expand bourgeois right in the sphere of commodity exchange and restore capitalism, will inevitably strive to advocate expanding the free market. Bukharin once peddled the fallacy of the "normalization" of the market, arguing that prices could be freely manipulated in the market, attempting to abolish the regulatory role of the socialist state's planning over the market and

foster the development of spontaneous capitalist forces. Lenin said: "**What is free exchange? It is unrestricted trade, and that means turning back towards capitalism.**" "**This exchange and freedom of trade inevitably lead to a division of commodity producers into owners of capital and owners of labor-power, a division into capitalists and wage-workers, i.e., a revival of capitalist wage-slavery.**"[1] The comprehensive restoration of capitalism in the sphere of exchange in the Soviet Union emerged under the slogan of so-called "freedom of trade." This appalling fact shows that after the proletariat seizes power and establishes socialist public ownership of the means of production, if it does not restrict the system of commodity exchange, capitalism will rapidly develop and in turn disintegrate the socialist economic base.

In the field of commodity exchange in our country, the struggle over restrictions on and resistance to bourgeois right is also very intense. This struggle is concentrated in whether to bring commodity exchange into the planned track or to violate planning and pursue "freedom of trade." To restrict bourgeois right in the sphere of exchange, our country has implemented a unified purchase and sale policy for grain, oilseeds, cotton, and other products; carried out the planned state allocation and distribution of important means of production; and, where conditions permit, gradually reduced and ultimately eliminated regional price differentials for certain commodities. For example, a single nationwide price has already been implemented for most medicines and some daily-use industrial products. State organs have also adopted various measures to strengthen market management, crack down on the speculative activities of urban and rural capitalism, and safeguard the basic needs of the people.

The proletariat restricts bourgeois right, and the bourgeoisie will inevitably oppose this restriction. The bourgeoisie within the Party—Liu Shaoqi, Lin Biao, and Deng Xiaoping and their associates—vigorously pursued the revisionist line of "freedom of trade," trumpeted such fallacies as "free market," "free prices," and "free competition," and frantically opposed the proletariat's restriction of bourgeois right in the sphere of circulation, seeking to let urban and rural capitalist forces run rampant in that sphere. They also trotted out such reactionary wares as "putting profit in command," "service to the whole people," and "business first," attempting to

---

[1] Vladimir Ilyich Lenin, "Report On The Substitution Of A Tax In Kind For The Surplus Grain Appropriation System, Tenth Congress of the R.C.P.(B.).

extend capitalist operating principles to socialist commodity exchange. Liu Shaoqi also advocated the so-called idea that "those engaged in a particular line of work may be allowed to buy a little more of the goods in that line"; Lin Biao, meanwhile, trumpeted such fallacies as "personal connections outweigh the law" and that "going through the back door" was legitimate, seeking to corrupt people's thinking. Their criminal purpose was to restore capitalism by strengthening and expanding bourgeois right in the sphere of exchange. New and old bourgeois elements in society also frequently stirred up trouble in the sphere of circulation and attacked the proletariat and socialism. They engaged in speculative trading, disrupting and undermining the socialist market; under the guise of "cooperation," they conducted illegal barter exchanges intended to secure personal or small-group gains. Under the guidance of Chairman Mao's revolutionary line, the plots of the likes of Liu Shaoqi, Lin Biao, and Deng Xiaoping were crushed, and capitalist forces have also suffered repeated heavy blows.

However, as long as the commodity exchange system still exists, the soil for the growth of capitalism and the bourgeoisie will remain. Therefore, in the sphere of exchange, the struggle between restriction and counter-restriction between the proletariat and the bourgeoisie will continue for a long time to come.

Restricting bourgeois right in the sphere of exchange in a socialist society absolutely does not mean that commodity exchange can be abolished. On the contrary, with the development of production, it is also necessary to guide and plan the development of commodity exchange under socialism. At the same time, however, bourgeois right in this sphere of exchange must be restricted. In particular, the spontaneous operation of the law of value in exchange must be restricted; spontaneous capitalist tendencies in exchange must be combated; and activities that use commodity exchange to engage in capitalist activities and undermine the socialist economy must be opposed.

Fundamentally, restricting bourgeois right in the sphere of exchange requires adhering to class struggle as the key link in this sphere, upholding the Party's basic line, and strengthening Party leadership and mass supervision; continuing to deepen criticism of the revisionist lines pursued by Liu Shaoqi, Lin Biao, and Deng Xiaoping, such as "freedom of trade," "putting profit in command," and "sectional dictatorship"; vigorously fostering socialist new things in the

sphere of commodity exchange; consciously restricting bourgeois right in exchange; and upholding the socialist orientation of commodity exchange.

Except that the exchange of means of production between state-run enterprises is conducted mainly through the channel of state materials management departments, commodity exchange in China is carried out through two channels: socialist state-run commerce and cooperative commerce under collective ownership. These two channels together form China's socialist unified market. State-run commerce is the mainstay and leading force of the socialist unified market; it controls the vast majority of commodities and retail operations, as well as all wholesale operations. Cooperative commerce under collective ownership is an assistant to state-run commerce. Giving full play to their role, ensuring the smooth flow of commodity circulation, and promoting the exchange of materials between urban and rural areas are of great importance for restricting the activities of urban and rural capitalist forces.

Rural market trade is a supplement to the socialist unified market at the present stage, and there is still a need for it to exist. However, the law of value operates there as a spontaneous regulator, and bourgeois right exists to a serious extent. Some people often engage in speculative selling at rural markets, trading products from their reserved plots and household sideline production. The state under the dictatorship of the proletariat must strengthen its leadership over market trade and impose strict management, placing restrictions on trading locations, trading participants, traded products, market prices, and other aspects.

Section Three: Price and Price Policy Under Socialism

Role of the Law of Value in Commodity Circulation

To fully harness the positive role of socialist exchange in production and consumption, it is also necessary to correctly understand and consciously apply the role of the law of value in commodity circulation.

The law of value is the economic law governing commodity production and commodity exchange. Under the conditions in which the commodity system is implemented in socialist society, the law of value affects socialist production, and its role in commodity circulation is even greater. In the process of commodity circulation in socialist society, commodity exchange mediated by money must follow the principle of exchange of equal values; changes in prices, the monetary expression of value, affect the circulation of socialist commodities to varying degrees; and, in the circulation of certain personal consumer goods, they have a certain regulatory effect.

The process of commodity circulation in a socialist society is, fundamentally, regulated by circulation plans formulated in accordance with the law of planned development of the national economy. The exchange of the means of production in a socialist society mainly takes the form of state planned allocation. Which units use the products produced by factories, what is supplied, how much is supplied, and when it is supplied are generally determined under the guidance of the state plan. Even the circulation of consumer goods is regulated mainly by the state plan. This is because the total quantity and composition of consumer goods entering the sphere of circulation are determined by the state's production plan, while society's purchasing power is also controlled by the state plan. On the basis of systematically balancing the supply of and demand for consumer goods, the state formulates a circulation plan for consumer goods to regulate their circulation. In particular, consumer goods closely related to the national economy and people's livelihood, such as grain, cotton, and oil, are subject to state procurement and marketing, with planned supply. These planned economy systems, based on public ownership of the means of production, objectively restrict the scope and degree of the law of value's influence on commodity circulation.

However, most consumer goods are supplied openly on the market, allowing consumers to choose and purchase them freely. Since the needs of hundreds of millions of consumers vary greatly and change constantly over time, while production conditions are also continually changing, planning work often finds it difficult to grasp these specific changes with complete accuracy. Consequently, contradictions between supply and demand frequently arise. Many factors affect consumer needs, but the most important are the level of income and the price. Under normal circumstances, when the price of a particular type of personal consumer goods is higher, its sales volume decreases; conversely, when the price is somewhat lower, its sales volume increases. This is the regulatory role of the law of value within a certain range and to a certain extent in the circulation of personal consumer goods.

A socialist state consciously uses the law of value to regulate, to a certain extent, the circulation of consumer goods. Its main characteristic is that, while maintaining basically stable prices, it appropriately raises or lowers the prices of certain consumer goods according to the specific circumstances of different periods, thereby restricting or expanding the sales volume of these consumer goods, promoting a tendency toward balance between their supply and demand, and implementing the state's commodity circulation plan. For example, for consumer goods whose production has increased substantially, resulting in production exceeding sales, while their prices are also relatively high, lowering their prices can increase consumers' purchasing power for these goods. For consumer goods whose production growth temporarily fails to keep pace with the growth in demand, in addition to making efforts to increase production, appropriately maintaining a relatively high price level within certain limits for some nonessential goods can place certain restrictions on demand for them. For highly seasonal consumer goods, such as vegetables and fruit, it is also necessary to adopt reasonable seasonal price differentials. On the one hand, because the seasons differ, the amount of labor expended on production, preservation, storage, and so forth also differs; on the other hand, appropriately lowering prices during the peak production season can expand sales and avoid losses caused by spoilage. Raising prices appropriately during the off-season can reduce sales. This also helps maintain an appropriate balance between supply and demand in different seasons.

However, for the law of value to supplement planned regulation in circulation, to use it to balance the contradiction between supply and demand for consumer goods, and to promote the development of the socialist economy, this can be achieved only when people correctly understand the law of value and restrict the scope of its operation. If the law of value is allowed to run rampant freely and prices are adjusted frequently based solely on market supply and demand, this would violate the principle of "planning first, prices second," inevitably disrupting socialist planning and undermining the socialist economic base.

Basis of Prices Under Socialism

Consciously making use of the law of value is mainly achieved through the state's formulation of planned prices. Planned prices are an important aspect of the planned economy and an expression of the superiority of socialism. Then, what is the scientific basis for socialist states to formulate planned prices? This question involves the basis of price under socialism.

Under capitalism, the concrete form of commodity value has been transformed into production price (that is, departmental average production costs plus social average profit formed according to the profit rate on capital). Price spontaneously fluctuates around production price as market supply-and-demand relations change. Production price is the basis of price in the capitalist economy.

Planned prices under socialism are not formed spontaneously in the market; rather, they are set by the state plan. A socialist state sets different prices for different kinds of products in accordance with the party line and economic policies, and may set them somewhat higher or lower. How are these prices determined? Can they be set arbitrarily? No. Whether prices are being set or adjusted upward or downward, there is always a basis; they invariably revolve around a central reference point.

What is the basis of socialist prices? In accordance with the requirements of the law of value, price in a socialist economy remains the monetary form of value, and the price of a commodity must be based on its value. In other words, when determining the price of a commodity, it is still necessary to refer to its value. If this is denied, it is tantamount to denying

the objective existence of the law of value. However, the complexity of the problem lies in how to calculate correctly the value serving as the basis for price.

The value of any product consists of three parts: (1) materialized labor consumed in production (c), namely, the costs of raw materials, fuel, auxiliary materials, machinery and equipment, depreciation of factory buildings, and so forth; (2) labor remuneration (v), which in state-run enterprises consists of the wages paid to employees; and (3) profit (s). If these three items (c, v, and s) can each be calculated, the value of the product will also be known. The first two items (c+s) constitute the production costs of the product. As a component of value, production costs are of course not the production costs of an individual enterprise, but the average departmental cost. Relatively speaking, average departmental production costs are still comparatively easy to determine. But how is the amount of the profit (s) component to be determined? This is difficult. According to Marxist labor theory of value, only the labor of producers is the sole source of value creation. Under conditions of distribution according to work, labor remuneration is roughly proportional to the expenditure of living labor. In state-run enterprises, under generally normal circumstances, the more wages paid, the more living labor has been consumed in production, and the greater the profit created should be. Therefore, an objective proportional relationship exists between profit and wages. This proportional relationship (s:v) may be called the wage profitability rate. As long as an average wage profitability rate is obtained in advance for society as a whole—that is, the ratio between total social profits and total wages—then, given the amount of wages paid (v) for producing a certain commodity, the amount of profit (s) that should be generated from producing that commodity can be calculated. Thus, the commodity value serving as the basis for price can be indirectly calculated on the basis of average departmental production costs plus the profit determined according to the social average wage profitability rate.[1]

---

[1] In actual work, it is impossible to measure the value of a commodity directly, and no one has ever done so; even making an indirect estimate based on the average departmental production costs plus profitability based on the average social wage presents certain difficulties. However, since in actual work today, the cost and profitability rate is generally calculated when prices are assessed, we can use another method to calculate commodity value: adding to the average departmental cost a profit amount calculated according to the cost profitability rate. The level of the cost profitability rate may be determined with reference to the technical composition of each production sector: the profitability rate should be lower for sectors with high material inputs and low labor inputs, and appropriately higher for those with low material inputs and high labor inputs. The value of a given commodity calculated in this way should be broadly close to the amount of socially necessary labor embodied in that commodity.

In the past, some people advocated determining profit according to the average social profitability rate of funds (the ratio of profit to productive funds). They held that in the socialist economy, the basis of price should not be the value of the commodity, but production price (that is, average departmental cost plus an average profit determined according to the profitability rate of funds). In other words, departmental boundaries should be broken down, and prices should be set according to the principle of distributing profits equally throughout society. In order to meet the needs of the restoration of capitalism, many economists in the Soviet Union advocated determining profit according to the average profitability rate of funds and taking production price as the basis for setting prices. In fact, this principle is a product of capitalist relations of production; it is the fullest expression of bourgeois right. Marx pointed out: "**Commodities are not exchanged simply as commodities, but as products of capitals, which claim participation in the total amount of surplus-value, proportional to their magnitude, or equal if they are of equal magnitude.**"[1] Only when production is aimed at pursuing profit and funds can flow freely among departments will the equalization of profits become an inevitable trend. However, the purpose of socialist production is to meet the needs of the state and the people, rather than the value augmentation of capital; the allocation of funds among departments is planned and cannot be freely transferred. Socialist society does not possess the objective conditions for the formation of average profit. Therefore, forming socialist prices according to the average social profitability rate of funds is theoretically erroneous.

Production costs plus the profit determined according to the average profitability rate of capital mentioned above are, of course, not the value of the commodity, but rather a transformed form of commodity value. In socialist society, commodity prices are based not on their value but on a transformed form of their value. This not only lacks an objective basis but is also harmful, because only when prices are based on value can the labor expenditure in production be calculated relatively correctly, and can the various proportional relationships in the national economy be correctly reflected and appropriately arranged. If prices are not based on value but

---

[1] Karl Marx, "Chapter 10. Equalization of the General Rate of Profit Through Competition. Market-Prices and Market-Values. Surplus-Profit," in *Capital*, Vol. III.

on any transformed form of value, these proportional relationships will fail to be correctly reflected, thereby affecting the organization of the national economic plan.

Whether price is based on value is of great significance both for the economic accounting of individual enterprises and for the conservation of social labor throughout the national economy. In producing a given product, it is often possible to adopt several different production methods, using different raw materials and different types of machinery and equipment, and expending different amounts of materialized labor and living labor. When price is based on value, it can help us choose the method that expends the least materialized labor and living labor. If price is not based on value, and the prices of some products are far below their values, then a production method using these products as raw materials may appear to be the most economical when calculated according to price; in reality, however, it may involve the greatest expenditure of social labor.

Socialist Price Policy

A socialist state must formulate prices on the basis of value. However, this by no means means that prices can only coincide with value and may not deviate from it in any way. This is because price is not simply the monetary expression of value. Price formulation must also comply with the Party's political and economic tasks for a given period, reflect the Party's line, principles, and policies, and appropriately take market supply and demand into account. In other words, reasonable prices for products must be formulated in accordance with the socialist price policy, by making use of and restricting the objectively existing law of value. Only in this way can prices help strengthen economic accounting, develop production, stabilize the market, ensure the stability of people's lives, and improve socialist relations of production. Therefore, in the socialist economy, various commodities exhibit not only situations in which prices basically coincide with value, but also situations in which prices deviate from value. For example, the prices of agricultural-support products in our country are generally set according to the principle of maintaining costs while allowing a small profit; some are even permitted to incur temporary losses, in which case prices are lower than value. The cost of producing new products is

generally relatively high, so their prices can only be determined by comparing their quality and prices with those of similar commodities, rather than by adding profit to cost; consequently, the prices of such commodities are often lower than their value. For a small number of high-end commodities that are not urgently needed for daily life, or for commodities in short supply whose prices need to be adjusted through pricing, prices are higher than value. Clearly, the bases for pricing different types of commodities vary, and consequently the ways in which prices deviate from value also vary.

Fluctuations in market prices are, in essence, a redistribution of national income, and they directly affect enterprises' economic accounting and the actual incomes of urban and rural residents. Maintaining basic price stability is conducive to implementing a planned economy; it facilitates economic accounting by state-run enterprises and people's communes; helps safeguard the actual incomes of working people in urban and rural areas and the gradual improvement of their standard of living; and also helps restrict and combat the speculative activities of capitalist forces, thereby ensuring the smooth progress of socialist construction. Our country has consistently pursued a policy of stabilizing prices. Since 1950, market prices in our country have remained stable. This is a manifestation of the superiority of socialism.

In old China, the reactionary Kuomintang recklessly issued paper money, causing prices to rise several times a day, production to decline, and the people to suffer. The founding of the People's Republic of China brought an end to the history of soaring prices in old China. In the early years after the founding of the country, the Party and the state adopted a series of measures to stabilize prices, waged a resolute struggle against capitalist forces, and dealt heavy blows to speculation and profiteering. For more than twenty years, the prices of basic necessities, such as grain, cotton cloth, vegetables, and coal briquettes, have remained stable. Since the Great Proletarian Cultural Revolution, the state has also systematically lowered the selling prices of some industrial products. In 1974, nationwide retail prices were 2.9% lower than in 1965. The prosperity of our markets and the stability of prices demonstrate the superiority of socialism, standing in sharp contrast to the vicious inflation and violent price fluctuations under capitalism.

Implementing the policy of stabilizing prices primarily means striving to ensure the stability of the overall price level and the prices of basic necessities for the people. On this

premise, unreasonable prices left over from history or arising from economic development are adjusted with both increases and decreases, in accordance with the principle of making no changes in general while making individual adjustments. For agricultural and sideline products such as grain, oil, pork, poultry, and eggs, the state has raised procurement prices several times, while sales prices have basically remained unchanged; the losses incurred by commercial departments in their operations are subsidized by state finances. Relatively high prices are maintained for certain high-end consumer goods. The state carries out unified balancing of profits and losses, which is conducive to stabilizing market prices. This is fundamentally impossible under capitalism.

The planned and proportionate development of the national economy requires stable prices, while stable prices, in turn, are a comprehensive reflection of the coordinated development of the national economy. The long-term stability of prices in our country has resulted from implementing the general policy of "**develop the economy and ensure supplies**," rapidly expanding production, increasing commodity circulation, and enabling the supply of commodities to remain broadly in line with society's purchasing power.

The issue of the exchange ratio between industrial and agricultural products is an important issue in price policy. It concerns the redistribution of national income between industry and agriculture, the stability of market prices, the exchange of goods between urban and rural areas, and the mutual integration and development of industrial and agricultural production; it also directly affects the lives of working people in urban and rural areas and the worker-peasant alliance. Accordingly, a reasonable exchange ratio must be formulated in accordance with the principle of exchange of equal values.

During the period when Stalin led socialist construction in the Soviet Union, the United Opposition headed by Trotsky, in an effort to undermine the alliance between the cities and the countryside and destroy the worker-peasant alliance, clamored for such reactionary measures as "raising the factory-gate prices of industrial products" and "imposing the maximum possible tax burden on the peasants." If these proposals had been implemented, they would inevitably have caused industrial product prices to rise, reduced the domestic market for industrial products, plunged the masses of peasants into poverty, provoked conflict between the proletariat and the

masses of peasants, and undermined the foundation of the dictatorship of the proletariat—the worker-peasant alliance. These reactionary proposals of the Trotskyists were mercilessly exposed and criticized by Stalin.

Before the liberation of our country, imperialism, feudalism, and bureaucratic capitalism consistently exploited and plundered the masses of peasants by buying agricultural products cheaply and selling industrial products dearly—that is, by widening the scissors difference—driving them into poverty and bankruptcy and creating sharp antagonism between the cities and the countryside. Particularly during the more than ten years from 1937 to 1949, because of the invasion by Japanese imperialism and the reactionary Kuomintang's launching of its anti-communist, anti-people's war, production and transportation suffered severe damage, the exchange of goods between the cities and the countryside virtually came to a standstill, and the scissors difference between the prices of industrial and agricultural products expanded even more sharply. Taking the average price difference from 1930 to 1936 as 100, it had expanded to more than 130 by 1949.

> According to surveys conducted before the liberation on several rural primary markets in Anhui, Guangxi, Sichuan, and Shaanxi, the changes in the exchange ratio between industrial and agricultural products were as follows: taking 1936 as 100, the ratio had risen to 165.11 by 1948. In the primary market of Ankang, Shaanxi, one hundred jin (50 kg) of rice could be exchanged for 39.7 chi (13.2 m) of white cloth in 1936, whereas by 1946 it could fetch only 10.02 chi (3.34 m) of white cloth.

Since the foundation of the People's Republic of China, there has been a serious line struggle over whether the scissors difference between the prices of industrial and agricultural products should be narrowed. Liu Shaoqi, Deng Xiaoping, and their group consistently advocated widening the scissors difference, propagating such slogans as "grabbing the peasants by the throat" and "matching high prices with high prices," vigorously promoting the free market, exploiting the peasants, undermining urban-rural ties, and undermining the worker-peasant alliance.

In the struggle against Liu Shaoqi, Deng Xiaoping, and their group, Chairman Mao repeatedly instructed that, in the commodity relations between the state-owned economy and the

collective economy, the principle of exchange of equal values must be implemented and a policy of gradually narrowing the scissors difference between the prices of industrial and agricultural products must be adopted. In accordance with the principles and policies formulated by Chairman Mao, over the past twenty-plus years the state has raised the purchase prices of agricultural and sideline products several times, while the prices of industrial products supplied to rural areas have remained basically stable, with some even declining. This has greatly improved the economic position of the broad masses of peasants, promoted the development of agricultural production, and consolidated the worker-peasant alliance.

> According to statistics, as early as 1958, the scissors difference between the prices of agricultural and industrial products had already narrowed by 25.4% compared with 1951. During the twenty-two years from 1952 to 1973, nationwide purchase prices for agricultural and sideline products rose by 67%, sales prices of agricultural production materials fell by 48%, and prices of industrial products supplied to rural areas fell by 0.7%. With the same quantity of agricultural products, more than 66% more industrial products could be exchanged.

The scissors difference in the prices of industrial and agricultural products reflects the unequal exchange relationship between industry and agriculture, and between urban and rural areas, in the exchange of industrial and agricultural products. The scissors difference in the prices of industrial and agricultural products is generally analyzed by taking the prices of industrial and agricultural products in a certain year as the basis and examining subsequent changes in product prices to determine how the scissors difference arose, expanded, or narrowed. However, to analyze in depth whether the exchange between industrial and agricultural products constitutes exchange of equal values, it is necessary not only to understand the trends in product prices but also to understand the trends in the value of industrial and agricultural products. Judging from changes in prices, the scissors difference between industrial and agricultural products has gradually narrowed. However, once the factors underlying changes in value are taken into account, then, apart from the scissors difference inherited from the old society, which has not yet been completely eliminated, new scissors differences in the prices of industrial and agricultural products may also arise. This is because, during a certain period, planned prices for industrial and agricultural products remain basically stable, whereas labor productivity is an

extremely dynamic factor. It continually increases as production technology conditions change. Consequently, the magnitude of value of industrial and agricultural products also continually decreases. Moreover, generally speaking, the rate of growth in labor productivity in the industrial sector is faster than that in the agricultural sector; the magnitude of value of industrial products decreases faster than that of agricultural products. This is reflected in the relative value relationship between industrial and agricultural products: even when prices remain unchanged, a new scissors difference may emerge. This is a new problem that requires people to study and resolve.

However, whether it is the scissors difference inherited from the old society or the scissors difference newly generated in the course of socialist construction, it can only be gradually narrowed as industrial and agricultural production develops. If the level of industrial production has not yet reached a certain degree, attempting to solve the problem by suddenly lowering the selling prices of industrial products would increase the burden on the state and reduce capital accumulation, which would be detrimental to socialist construction; whereas if the prices of industrial products remain unchanged and the problem is addressed by substantially and sharply raising the purchasing and selling prices of agricultural products, this would increase the burden on the urban population. Therefore, in order to gradually narrow the difference between workers and peasants and the difference between urban and rural areas, and to continue narrowing the scissors difference between the prices of industrial and agricultural products, it is necessary to accelerate industrial development, provide vigorous support for agriculture, accelerate the realization of agricultural mechanization, and raise agricultural labor productivity.

The low-profit, high-volume sales policy for industrial products is also an important socialist price policy formulated by Chairman Mao for our Party. Implementing the low-profit, high-volume sales policy for industrial products requires that product prices be reduced in a planned manner as industrial labor productivity rises and product costs fall. Under certain conditions, the planned reduction of industrial product prices can expand sales and promote industrial production; it is conducive to strengthening economic accounting and preventing excessively high profitability rates from becoming a shelter for wastefulness; it is conducive to improving the standard of living of urban and rural people; and, in particular, it is conducive to

gradually narrowing the scissors difference between the prices of industrial and agricultural products and strengthening the worker-peasant alliance. Of course, this does not mean that all industrial products with high profits should be reduced in price. Rather, overall planning and appropriate arrangements should be made based on the supply, production, and sales conditions of various industrial products; their role in the national economy and people's livelihood; and the industrial development conditions in all regions of the country.

Section Four: Foreign Trade of Socialist States

Various economic ties exist, to varying degrees, between socialist states, and between socialist states and capitalist countries. Therefore, in addition to domestic commodity exchange, socialist states also engage in international commodity exchange, namely foreign trade.

A country's social and economic system determines the patterns governing its foreign trade.

The foreign trade of capitalist countries, based on capitalist private ownership and governed by the basic economic law of capitalism, serves to brutally exploit and plunder the working people of other countries, extract high profits, and accelerate capital accumulation. The foreign trade of imperialist countries is even more a tool of monopoly capital for enslaving and plundering other countries, extracting the maximum possible profit, and contending for world hegemony.

The foreign trade of socialist states, based on socialist public ownership of the means of production and governed by the basic economic law of socialism, must serve in every respect to ensure that the needs of the state and the people are met. This means that the foreign trade of socialist states must promote the development of domestic socialist production and construction, and must never be allowed to hinder their development; it must help consolidate national defense and gradually improve the people's standard of living; and it must help strengthen solidarity with the peoples of all countries, particularly the peoples of the Third World, and help unite all forces internationally that can be united in the struggle against imperialism, social imperialism, and modern revisionism. In short, the foreign trade of socialist states is a tool of the proletariat for carrying out the socialist revolution and socialist construction.

Consciously conducting the foreign trade of a socialist state in accordance with the requirements of the basic economic law of socialism requires correctly handling the relationship between foreign trade and domestic trade. "**Overall planning and appropriate arrangements**," with the domestic market as the mainstay and the foreign market as a supplement, is an important principle for handling the relationship between domestic and foreign trade. Our country has a population of 800 million. Our vast domestic market is an extremely favorable

condition for developing socialist industrial and agricultural production. The practice of socialist construction over more than twenty years has proved that our extensive rural areas are not only an important market for everyday industrial products, but, with the development of agricultural mechanization, also an important market for means of production. Only by earnestly implementing the principle of making the domestic market primary and the foreign market supplementary can our production and construction flourish, the market remain stable and prosperous, people's standard of living gradually improve, and the worker-peasant alliance be consolidated. Only on the basis of first properly arranging the domestic market, and in accordance with the needs of the development of the socialist national economy, can imports and exports be organized rationally so that foreign trade can truly serve socialist construction.

Failing to arrange the domestic market first, failing to act according to the needs of the development of the socialist national economy, sitting with one's backside toward foreign countries, keeping one's eyes fixed on foreign countries, and constantly reaching both hands toward foreign countries, while always emphasizing "the special nature of foreign trade" and that "domestic sales must submit to export sales"—this is not the foreign trade of a socialist state, and is not even the foreign trade of an independent and self-reliant state; rather, it is foreign trade characterized by bureaucratic compradorism, selling out the country, and capitulation. What Liu Shaoqi, Lin Biao, and Deng Xiaoping implemented was precisely such a revisionist line of selling out the country and capitulation. Conducting affairs according to this revisionist line would inevitably cause domestic production and construction to stagnate, leaving the people's living needs without adequate guarantees.

Therefore, in handling the relationship between domestic and foreign trade, we should base ourselves on the domestic market, proceed from the needs of national construction and the people's livelihood, and act in ways conducive to consolidating the worker-peasant alliance and developing the national economy. The foreign market is of course also very important and must not be neglected. To meet the needs of domestic socialist construction, it is necessary to import appropriate quantities of advanced technology and equipment and materials in short supply domestically; therefore, exports must be actively organized.

Moreover, the revolutionary struggles of the peoples of all countries always support one another. To provide material assistance to socialist fraternal countries and to the revolutionary struggles of oppressed peoples and oppressed nations, a socialist state must always export a portion of its materials. Domestic and foreign trade are two parts of a single whole; their relationship should be one of mutual coordination and cooperation under unified planning by the state.

A state under the dictatorship of the proletariat, in order to build socialism successfully and defend national independence, necessarily requires state control over, or a monopoly of, foreign trade. After the October Revolution, Trotsky, Bukharin, and their associates opposed the state monopoly over foreign trade and advocated regulating foreign trade through the so-called "tariff policy." This fallacy was harshly criticized by Lenin. Lenin pointed out: "**No tariff system can be effective in the epoch of imperialism when there are monstrous contrasts between pauper countries and immensely rich countries.**" "**The industrial proletariat … will be totally unable to build up its own industry and make Russia an industrial country unless it has the protection, not of tariffs, but of the monopoly of foreign trade.**"[1] Stalin also emphasized: "**The abolition of the monopoly of foreign trade**" "**would mean the transformation of our country from an independent country into a semi-colonial country.**"[2] Under the leadership of Lenin and Stalin, the opportunist line of Trotsky, Bukharin, and their associates was crushed, the foreign trade monopoly was implemented, and the economic independence of the newly established socialist state was safeguarded.

On the eve of the birth of the People's Republic of China, Chairman Mao clearly pointed out: "**The restoration and development of the national economy of the people's republic would be impossible without a policy of controlling foreign trade. When imperialism, feudalism, bureaucrat-capitalism and the concentrated expression of all three, the Kuomintang regime, have been eliminated in China, the problem of establishing an independent and integrated industrial system will remain unsolved and it will be finally**

---

[1] Vladimir Ilyich Lenin, "Re The Monopoly of Foreign Trade," in *Lenin's Collected Works*, Vol. 33.

[2] Joseph Stalin, *Questions & Answers to American Trade Unionists: Stalin's Interview With the First American Trade Union Delegation to Soviet Russia*, (Workers Library Publishers, December 15, 1927.)

solved only when our country has greatly developed economically and changed from a backward agricultural into an advanced industrial country. It will be impossible to achieve this aim without controlling foreign trade."[1] After the founding of the People's Republic, our government has implemented Chairman Mao's revolutionary line, gradually eliminated imperialist ownership, expelled the forces of imperialist economic aggression, abolished imperialist privileges in China, and recovered customs administration authority. The era in which foreign merchants controlled China's foreign-trade operations, foreign-exchange finance, shipping, and insurance industry came to an end forever. At the same time, the state confiscated the foreign-trade enterprises of bureaucratic capital, established state organs and state-run foreign trade enterprises to control foreign trade, and gradually transformed the capitalist private import and export enterprises. This fundamentally changed the semi-colonial character of foreign trade in old China, making China's foreign trade independent and self-directed, under the control of a state of the dictatorship of the proletariat.

Implementing a state monopoly over foreign trade played an important role in ensuring the country's complete political and economic independence, defending against imperialist economic aggression, resisting the impact of the economic crisis in the capitalist world, conducting normal trade relations with countries and regions throughout the world on the basis of equality and mutual benefit, and accelerating the pace of socialist construction. Liu Shaoqi, Lin Biao, Deng Xiaoping and their associates undermined the principles of centralized leadership and unified foreign trade, vigorously promoted capitalist liberalization in foreign-trade work, and shouted slogans such as "The Eight Immortals cross the sea, each revealing their divine power[2]," attempting to turn the socialist cooperation among import and export companies and among ports into capitalist competition, thereby dragging foreign trade back onto a semi-colonial track.

The foreign trade of socialist states and the foreign trade of capitalist countries, because they are based on different forms of ownership of the means of production, are governed by different basic economic laws and have different operating objectives and methods. However,

---

[1] Mao Zedong, "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," in *Selected Works of Mao Zedong*, Vol. IV, 369.

[2] Note from translator: "The Eight Immortals cross the sea, each revealing their divine power" is a Chinese idiom, literally means everybody using their talents or skills to achieve a common goal.

like the foreign trade of capitalist countries, the foreign trade of socialist states consists of commodity exchange between states; consequently, the law of value plays a governing role in this exchange relationship.

Of course, the value of a commodity in the domestic market differs from its value in the world market. Marx pointed out: "**Only a degree of intensity above the national average affects, in a given country, the measure of value by the mere duration of the working-time. This is not the case on the universal market, whose integral parts are the individual countries. The average intensity of labor changes from country to country; here it is greater, there less. These national averages form a scale, whose unit of measure is the average unit of universal labor.**"[1] This means that every country has an average labor intensity. At this intensity, the socially necessary labor time required to produce a particular commodity and its magnitude of value are determinate; when this intensity changes, the socially necessary labor time required to produce that commodity and its magnitude of value also change. Since the average labor intensity differs among countries, the socially necessary labor time required to produce a particular commodity and its magnitude of value differ from country to country. The world market is a market formed on the basis of the markets of individual countries. The magnitude of value of a particular commodity in the world market does not depend on the socially necessary labor time required to produce it in any one country; rather, it depends on the socially necessary labor time required to produce it at the average intensity of world labor, with all countries treated as a whole. The price of a particular commodity in the world market depends not only on its magnitude of value in the world market but is also influenced by its supply and demand conditions there. Because of the competition and unplanned nature of capitalist production and exchange, the supply and demand conditions of commodities in the capitalist world market are constantly changing; therefore, fluctuations in commodity prices in the world market over time are inevitable. In addition, the frequent outbreak of capitalist economic crises, the rivalry and collusion among international monopoly capital groups, the turbulence of the financial and monetary system of the capitalist world, and the intensification of international class struggle, among other factors, all exert a major influence on commodity prices in the world

[1] Karl Marx, "Chapter Twenty-Two: National Differences of Wages," in *Capital*, Vol. I.

market. Therefore, when conducting foreign trade, a socialist state must fully assess the role of the law of value and its characteristics in the world market, and flexibly determine reasonable prices for export commodities. It must never transfer to foreign trade the principles used to set prices in the domestic planned market of a socialist state. Otherwise, the socialist state will inevitably suffer substantial losses in foreign trade.

From the perspective of the composition of import and export commodities and trade settlement methods in the foreign trade of socialist states, because one party participating in a large number of exchange relationships is a capitalist country, socialist states must appropriately take into account the national characteristics and customs of these countries in the styles, varieties, packaging, and other aspects of the commodities they export to them; however, they must never violate the principles of socialist states. Among the commodities imported from capitalist countries, some promote the bourgeois lifestyle and must therefore be resisted. On the international market, methods of ordering, transaction conclusion, transportation, insurance, monetary settlement, and so forth are in fact inherited from capitalism; socialist states should remain highly vigilant in their foreign trade activities. Compared with domestic trade, bourgeois right in foreign trade is more serious. How to limit the influence of bourgeois right in this respect on domestic production and exchange, as well as on foreign trade departments, is an important issue that socialist states must address seriously.

The position and role of foreign trade in the national economy of a socialist state differ from those in a capitalist country. Marx pointed out: "**The expansion of foreign trade, although the basis of the capitalist mode of production in its infancy, has become its own product, however, with the further progress of the capitalist mode of production, through the innate necessity of this mode of production, its need for an ever-expanding market.**"[1] Lenin also once pointed out: "**It is therefore impossible to conceive a capitalist nation without foreign trade, nor is there any such nation.**"[2] In a socialist state, foreign trade is an important sector of the national economy. However, the rapid development of the national economy of a socialist

---

[1] Karl Marx, "Chapter 14. Counteracting Influences," in *Capital*, Vol. III.

[2] Vladimir Ilyich Lenin, "Chapter I. The Theoretical Mistakes of the Narodnik Economists," in *The Development of Capitalism in Russia, Lenin's Collected Works*, Vol. 3 (Moscow: Progress Publishers, 1977).

state does not depend on the foreign market, but on the superiority of socialism and planned economy, as well as on the hard work of the working people at home. “Independence and self-reliance” is the fundamental principle guiding economic construction in a socialist state, and it is also the principle that foreign trade must strictly follow.

Whether to uphold or oppose the policy of independence and self-reliance has always been the focal point of the struggle between the two lines in socialist construction. In the early period of socialist industrialization in the Soviet Union, Trotsky put forward a so-called “theory of world division of labor,” claiming that “ignoring the division of labor in the world economy” would “greatly reduce the speed of our economic development.” He opposed the Soviet people’s building socialism independently and through self-reliance, and schemed to turn the Soviet Union into an appendage of imperialism.

In our country, Liu Shaoqi, Lin Biao, Deng Xiaoping, and their associates also did everything possible to oppose the policy of independence and self-reliance, frantically propagating the “theory that foreign aid is decisive” and the “theory of red compradorism.” Deng Xiaoping even recklessly attacked the policy of independence and self-reliance as “the conceit of the frog at the bottom of the well” and “closed-door isolation.” In his view, the sole basis for undertaking economic construction and carrying out the four modernizations was to “adopt the most advanced technology”; and to obtain advanced technology, one had to rely exclusively on importing the “latest and best foreign equipment.” Accordingly, he advocated, first, that we “offer more things in exchange,” that is, buy them; and second, that we “sign long-term contracts” with foreign capitalists, under which they would supply us with equipment and we would then “repay” them with mineral products produced in our country—that is, borrow. He called this “the most reliable” “major policy.”

In fact, the “major policy” he was peddling was nothing new. The leaders of the Self-Strengthening faction in Qing dynasty, Li Hongzhang and Zeng Guofan, clamored: “If China wishes to become strong, nothing is better than learning about foreign weapons. If it wishes to learn about foreign weapons, nothing is better than seeking the means of manufacturing them.” Chiang Kai-shek, meanwhile, slandered the Chinese people as “indolent, sluggish, and lifeless,” believing that for China to achieve “economic construction,” it had to rely on “international

cooperation to develop our vast and abundant natural resources." The comprador-lackey ideology propagated by Deng Xiaoping is directly inherited from Li Hongzhang, Zeng Guofan, and Chiang Kai-shek; all of it is nothing but thoroughly pro-foreign, servile, and treasonous ideology.

Whether socialist construction should adhere to the policy of independence and self-reliance is not merely an economic issue; first and foremost, it is a political issue—that is, it concerns whether the independence of the socialist state under the dictatorship of the proletariat can be consolidated. World history and current realities fully demonstrate that a country that is not politically independent obviously cannot build an independent economy; without an independent economy, political independence is likewise impossible or cannot be consolidated. If the foundation of economic construction is placed on the "introduction of foreign technology and equipment," and, in order to make such an introduction, large quantities of state resources are sold off, or even mining rights are ceded to foreign countries, does this not once again turn socialist China into a commodity sales market and raw-material supply base for imperialism? In that case, industrial sectors related to exports would develop in a distorted manner, while those unrelated or only marginally related to exports would be suppressed. The planned, proportionate development of the national economy would suffer severe disruption, and an independent and complete national economic system would be devastated. How could this still be called building socialism independently and self-reliantly? The more equipment imported and the more resources sold off, the greater the dependence of the national economy. Once economic independence is lost, political autonomy is of course impossible.

If the foundation of economic construction is placed on the "introduction of foreign technology and equipment," then there will be no need to manufacture what we can make ourselves, and even less need to strive to conduct research and manufacture what we temporarily cannot make ourselves; we need only import it from abroad. Even if we manufacture a little ourselves, it will merely be by copying and reproducing foreign designs and processes, imitating foreign equipment, and crawling step by step behind the foreigners. In this way, we will never be able to rid ourselves of dependence on foreigners in technological development. How, then, could we possibly talk about realizing the four modernizations and catching up with the world

advanced level? The result would be to place the development of our technology, and even that of our entire national economy, under the control of foreign capitalists. Once they refused to supply us with technology and equipment, our economy would immediately grind to a halt. In 1960, the Soviet revisionist traitor clique, acting in bad faith, tore up the agreement and withdrew all experts overnight, causing serious difficulties for our economic construction—something we still remember vividly.

If the foundation of economic construction is placed on the "introduction of foreign technology and equipment," and, in order to "introduce" them, we "sign long-term contracts with foreign capitalists and repay them with coal," would our country not thereby become an investment site for imperialist countries? This method of borrowing external debt amounts to accepting the export of capital from imperialist countries. Chairman Mao pointed out: "**Why do these countries do business with us and, supposing they might be willing to lend us money on terms of mutual benefit in the future, why would they do so? Because their capitalists want to make money and their bankers want to earn interest to extricate themselves from their own crisis -- it is not a matter of helping the Chinese people.**"[1] Old China had borrowed external debt for more than a hundred years. As a result, national sovereignty and the lifelines of the national economy all fell into the hands of the imperialists. Have people really forgotten the declining and dilapidated state of old China? Deng Xiaoping advocated accepting the export of capital from imperialist countries; in reality, he attempted to bring the imperialist forces that the Chinese people had driven out through years of bloody struggle back into the country, like inviting a wolf into the house, so that they could continue exploiting and enslaving the Chinese people.

Of course, we are not categorically opposed to introducing certain advanced foreign technology and equipment, nor are we categorically opposed to exporting certain domestic mineral raw materials. The question is: where should we place the foundation of economic construction? If we place it on the "introduction of foreign technology and equipment" advocated by Deng Xiaoping's "grand policy," then our country will once again become a colony or semi-colony; there is no other possible outcome. In the past, we adhered to the policy of

[1] Mao Zedong, "On the People's Democratic Dictatorship," 417.

independence and self-reliance, broke through the blockade and embargo imposed by U.S. imperialism, overcame the obstruction and sabotage of Soviet revisionism, and transformed a poor and backward old China into a socialist New China that was initially prosperous and flourishing. As long as we continue to uphold this policy formulated by Chairman Mao, we will certainly be able, within this century, to build our country into a socialist power with modern agriculture, modern industry, modern national defense, and modern science and technology.

On the basis of adhering to the policy of Independence and self-reliance, socialist states will actively engage in economic cooperation and mutual assistance with fraternal countries and friendly countries; jointly promote the economic development of their respective countries; and, at the same time, develop equal and mutually beneficial trade relations with capitalist countries. Under these conditions, developing international trade promotes the development of the socialist economy. On the eve of the founding of the People's Republic of China, Chairman Mao clearly stated the following regarding the establishment of normal international trade relations: "**The Chinese people wish to have friendly co-operation with the people of all countries and to resume and expand international trade in order to develop production and promote economic prosperity.**"[1] Through foreign trade, socialist states can balance surpluses and shortages and introduce certain genuinely useful foreign technologies to facilitate the technological transformation of Industrial and agricultural production. Accordingly, the foreign trade of socialist states should, based on the needs and possibilities of socialist production development, actively and systematically organize the export and import of commodities, supporting and promoting the development of industrial and agricultural production. Any idea or practice that departs from this premise is erroneous.

Our country's foreign trade was established and developed in the course of abolishing the foreign trade of the comprador lackeys of semi-colonial and semi-feudal old China. Practice over the more than twenty years since the founding of the country has proved that comprador-lackey thinking is deeply entrenched in the field of foreign trade, and that the pernicious influence of the revisionist lines of Liu Shaoqi, Lin Biao, and Deng Xiaoping in foreign trade is far-reaching and

---

[1] Mao Zedong, "Address to the Prepatory Meeting of the New Political Consultive Conference," in *Selected Works of Mao Zedong*, Vol. IV, 408.

long-standing. Although comprador-lackey thinking and the revisionist foreign-trade line were criticized during the Great Proletarian Cultural Revolution, their pernicious influence has by no means been completely eradicated. Deng Xiaoping's "grand policy" of worshiping and fawning on foreign countries, surrendering, and selling out the country is the latest specimen of comprador-lackey thinking. If we follow Deng Xiaoping's "grand policy" and that revisionist line of putting "foreign exchange above all" and "output value first," then the greater the volume of trade completed by foreign trade, the greater the damage to domestic production; the more it helps foreign capitalists suck the blood of the workers and peasants at home, the more instances there will be of surrendering our rights and disgracing our country. This is the old road of foreign trade taken by semi-colonial and semi-feudal old China, and the Chinese people will never allow the bourgeoisie within the Party to lead our country's foreign trade onto this evil path.

Chapter Nine: Currency and Currency Circulation of Socialist Society

Section One: Currency in Socialist Society

The Essence and Functions of Money

Since a socialist society still has commodity exchange, money must necessarily exist. Marx once pointed out: "**Money [is] the power of all powers.**"[1] Marx's assertion is relatively easy to understand in a society based on private ownership. Then, in a socialist society based on public ownership, does money still have such great power? Or, compared with the old society, in what respects has it changed, and in what respects is it not much different from the old society? How should the proletariat restrict the bourgeois right associated with money? To answer these questions, it is necessary to conduct a concrete analysis of the nature and functions of money in a socialist society, as well as the law of monetary circulation.

What is the essence of money? Marx said: "**The principal difficulty in the analysis of money is surmounted as soon as it is understood that the commodity is the origin of money.**"[2] To explain the essence of money, we must analyze it in connection with commodity exchange. Historically, money is nothing more than a special commodity that spontaneously separated from the world of commodities in the course of prolonged commodity exchange. It is "special" precisely because it can exchange directly and unconditionally with all commodities, serving as the universal equivalent of commodities in exchange.

---

[1] Karl Marx, "Chapter Twenty-Seven: Expropriation of the Agricultural Population from the Land," in *Capital*, Vol. I.

[2] Karl Marx, "Part II MONEY OR SIMPLE CIRCULATION," in *A Contribution to the Critique of Political Economy.*

Since money emerged at the end of the primitive commune, although human society has passed through the historical stages of slave society, feudal society, capitalist society, and socialist society, the essence of money as the universal equivalent has not changed. In socialist society, money remains the universal equivalent, serving primarily as the measure of value and the means of circulation.

However, as Marx pointed out: "**Money, though a physical object with distinct properties, represents a social relation of production.**"[1] On the surface, money appears to be a thing. In fact, like a commodity, it is a social relation of production manifested through a thing. As the universal equivalent, money reflects the relation of labor exchange among commodity producers. The nature of social relations of production is determined by the nature of ownership of the means of production. Although the essence of money is the universal equivalent in different social formations, the nature of the social relations of production it embodies has changed with changes in ownership of the means of production. In socialist society, commodity production based on public ownership of the means of production is commodity production linked to direct social production; correspondingly, the relations connected with money no longer embody capitalist relations of exploitation by capital of wage labor, but primarily embody socialist relations of the exchange of labor between the working class and the peasant class, the two working classes, as well as among members within each of these classes.

The socialist society operates under a planned economy. When a socialist state provides planned leadership for the national economy, it must use money as the unified measure for measuring social labor, regardless of whether it is setting production targets, allocating materials, or distributing the total social product. This shows that under socialism, money has begun to perform a new function—serving as a tool in the planning the national economy for measuring labor. Moreover, as development advances, this new function of money will assume an increasingly important position. From the perspective of future development, when the communist society is reached, commodity production and commodity exchange will disappear, and money, as the universal equivalent, will also disappear; however, the work of planning the national economy will still require a tool for measuring labor. Of course, whatever this tool for

---

[1] Karl Marx, "Part I THE COMMODITY," in *A Contribution to the Critique of Political Economy.*

measuring labor may be called at that time, it will in reality no longer be money in the original sense.

This change in the social relations of production reflected by money under socialism is also manifested in the functions of money.

The first function of money is to serve as a measure of value, and this is also true in socialist society. However, the socialist state uses this function of money to measure the labor embodied in commodities not through market competition, but by formulating planned prices. The socialist state also uses planned prices to formulate and assess value indicators such as output value, costs, and profits, thereby implementing planned management of the national economy.

Under socialism, money still performs the function of a means of circulation. The socialist state uses this function of money to strengthen economic ties between workers and peasants, between urban and rural areas, and among state-run enterprises, thereby promoting the development of socialist production. When money serving as a means of circulation is privately owned, the socialist state does not allow it to be used to purchase labor power or large means of production; it may be used only to purchase personal consumer goods and certain hand tools. Under these conditions, the scope of money's function as a means of circulation has already been greatly restricted.

In a socialist society, money also functions as a means of payment. Socialist enterprises use money in this capacity to pay taxes and profits to the state, pay wages to employees, pay labor remuneration to people's commune members, and settle various debts with sister enterprises. The socialist state uses money in this capacity to collect and allocate state budget funds and credit funds, and to organize non-cash settlement between enterprises, thereby supervising their economic activities, consolidating the economic accounting system, and promoting the development of the national economy.

In a socialist society, money also performs the functions of socialist accumulation and a means of saving. The social net income created by the working people becomes the socialist accumulation of the state and collectives in monetary form. The portion of the working people's

labor income that is temporarily unused is also deposited in the state bank in monetary form and is used to promote socialist construction.

In the external economic relations of a socialist state, money performs the function of world money. Gold still serves as world money, because, ultimately, the balance-of-payments difference must still be settled in gold. Socialist states use this function of world money to conduct foreign trade and provide economic assistance to friendly countries. In such circumstances, money serves as a general means of purchase, a general means of payment, and an embodiment of social wealth.

These functions performed by money in a socialist society show that, owing to the establishment of socialist public ownership of the means of production and the resulting changes in the processes of production and exchange, the relations of production reflected by money and the role it plays are no longer the same as in a capitalist society. In a capitalist society, money is mainly controlled by the bourgeoisie and the bourgeois state, and is used to purchase labor power and means of production, thereby exploiting the surplus value created by workers. The bourgeois state uses the issuance of additional money to cover fiscal deficits, causing inflation, intensifying the exploitation of working people, and using money as a means of external economic aggression and expansion to carry out the export of capital and seize high profits. In a socialist society, money is mainly controlled by the state under the dictatorship of the proletariat. It is used to measure and account for labor expenditure in social production, strengthen and expand economic ties between industry and agriculture and among various state-run enterprises, and organize the distribution of personal consumer goods according to the socialist principle of “from each according to his ability, to each according to his work.” It is an instrument used by the state under the dictatorship of the proletariat to manage socialist production and implement the distribution of products, as well as an instrument for conducting economic relations with the outside world.

Money Remains the Soil for the Emergence of Capitalism

In a socialist society, money, although it plays a positive role in socialist construction, is ultimately, like commodities, a relic of the private economy, a "**survival of yesterday's exploitation.**"[1] Its existence is linked to the fact that the production and exchange of socialist products still retain traditions or traces of a private character. Under socialism, money remains a universal equivalent; it remains the crystallization of social wealth and continues to perform such functions as a measure of value, means of circulation, and means of payment. The existence of money and monetary exchange remains the soil from which capitalism and elements of the new bourgeoisie can emerge. In this respect, there is little difference from the old society. To deny that money in a socialist society is a relic of the private economy, and to deny that under certain conditions money may still be transformed into capital, is a revisionist fallacy in the field of political economy. As early as the beginning of the 1930s, Voznesensky, a Party person in power taking the capitalist road within the All-Union Communist Party (Bolsheviks), propagated the claim that in a socialist economy money could not become a tool of exploitation and would not become become capital.[2] Today, in the Soviet Union, where capitalism has been fully restored and money has become a means of exploitation, this fallacy was even treated as a precious doctrine by the Soviet revisionist traitor clique, which loudly propagated it and stirred up a temporary frenzy.[3] In fact, this fallacy cannot withstand criticism.

---

[1] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education," in *Lenin's Collected Works*, Vol. 29, (Progress Publishers, Moscow, 1972).

[2] In his 1931 article "On Problems of Socialist Economy," Voznesensky stated: "In a socialist economy, money will never become capital." In his 1935 article "On Soviet Currency," he further stated: "During the period of the First Five-Year Plan, the rich peasants were eliminated as a class, thereby essentially abolishing the possibility of turning money into capital—that is, turning money into an instrument of exploitation. The Second Five-Year Plan eliminated the capitalist elements and classes in general, thereby completely eradicating the capitalist remnants within the Soviet state that could have turned money into an instrument of exploitation, enrichment, and speculation."

[3] In 1974, two books both called Political Economy, published in Moscow (edited respectively by JI·B·Sokolova and IO·B·Yakovets), almost word for word and in complete agreement asserted: in a socialist society, "money can no longer be converted into capital, and money can no longer become a means of exploiting others." Yet they could neither offer any reasoning nor produce any evidence, and could only turn to a modern Soviet novel called The Golden Calf, citing as evidence for the proposition that in the Soviet Union "money cannot be converted into capital" the lesson suddenly grasped by the novel's protagonist, the great swindler Bender, after becoming a millionaire through fraud: "In the Soviet Union, these sums of money can absolutely not be used as capital." What more is there to say about Soviet revisionist political economy, whose methods of deception are so clumsy?!

Marxism teaches us that money "**holds all other commodities hidden in itself, the magic power which can change at will into everything desirable and desired.**"[1] In the money form, bourgeois right receives its concentrated expression. Before money, people are formally equal: money can be possessed by anyone and can be used by anyone as a "magical means" to purchase the commodities they need. Money is a radical egalitarian. Yet this contains actual inequality. For to control money means to control a certain quantity of commodities, and means possessing the right to exploit the labor of others. In a society operating under the commodity system, different people cannot possess the same amount of money. In capitalist society, some are millionaires, while others are completely destitute or even deeply in debt. Capitalists rely on money they possess to open factories, hire wage laborers, and extract surplus value from workers; speculators and profiteers and usurers likewise conduct exploitative activities by relying on the money they possess. Thus, the formally equal bourgeois right embodied in money conceals actual inequality, which is obvious in capitalist society.

In socialist society, public ownership of the means of production has replaced private ownership of the means of production, and the working class and working people have become the masters of society and the means of production. The role of money as a universal equivalent has correspondingly been subject to certain limitations, and money, this "magical means," is no longer all-dominating. However, bourgeois right in relation to money continues to exist. Since money, as a universal equivalent, still retains its basic functions, and since under conditions of distribution according to work people's monetary incomes are unequal, whoever possesses more money possesses more commodities, and this also makes it possible for certain people to use money and monetary exchange to appropriate the labor of others without compensation. When Marx discussed the monetary system as a system of equality and freedom, he pointed out: "**That exchange value or, more precisely, the money system is in fact the system of equality and freedom, and that the disturbances which they encounter in the further development of the system are disturbances inherent in it, are merely the realization of *equality and freedom*, which prove to be inequality and unfreedom. It is just as pious as it is stupid to wish that exchange value would not develop into capital, nor labor whi750ch produces exchange**

[1] Frederick Engels, "IX. Barbarism and Civilization," in *Origins of the Family, Private Property, and the State.*

value into wage labor."[1] Lenin, when discussing money under socialism, also clearly pointed out: "**Before we can abolish money; and until then we must put up with equality in words, in the constitution; we must put up with a situation in which everybody who possesses money practically has the right to exploit.**"[2]

Money and capital are distinct. However, capital initially always appears as a certain quantity of money. Historically, the emergence of capitalism began with the accumulation of money. At the end of feudal society, under the control of the spontaneous operation of the law of value, small producers became stratified under intense competition: the majority became impoverished and went bankrupt, turning into propertyless "free" workers who had no choice but to make a living by selling their labor power; meanwhile, an increasing amount of money accumulated in the hands of a minority, who used it to purchase the means of production and labor power and engaged in capitalist operations. Thus, the separation of the means of production from labor power, together with this particular way of recombining the two, leads to the transformation of simple commodity production into capitalist commodity production, the differentiation of small producers into capitalists and proletarians, and the transformation of money into capital.

In socialist society, the laws of the state under the dictatorship of the proletariat prohibit all exploitative activities. However, the practice of socialist revolution and construction shows that as long as money continues to exist, the possibility of money being converted into capital will always remain. Whoever possesses money can appropriate social wealth. Urban and rural capitalist forces and new and old bourgeois elements will risk violating the law and, in those links and units where proletarian leadership is not yet consolidated, "**the bourgeois elements of the population continue to use privately-owned currency notes—these tokens by which the exploiters obtain the right to receive public wealth—for the purpose of speculation, profit-making and robbing the working population.**"[3] Because during the socialist stage, the

---

[1] Karl Marx, "The Chapter on Capital," in *Grundrisse*, *Foundations of the Critique of Political Economy (Rough Draft)*.

[2] Vladimir Ilyich Lenin, "First All-Russia Congress on Adult Education."

[3] Vladimir Ilyich Lenin, "Draft Programme of the R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 29, (Progress Publishers, Moscow, 1972).

exchange of industrial and agricultural products and the distribution of consumer goods still take place with money as the medium, this creates the possibility of buying today and selling tomorrow, or buying in one place and selling in another. Those engaged in speculation and profiteering will convert the money they possess into capital, exploit temporary and local imbalances in the supply and demand of commodities that arise in a particular region or season, buy and resell agricultural and sideline products and industrial products, purchase at low prices and sell at high prices, and reap excessive profits. Some will even collude with certain people within state-run and collectively owned units, adopt various measures, and use money to establish underground factories or organize underground labor-contracting teams, engaging in exploitation of hired labor. In addition, some people will also hoard the money they possess for usury, thereby engaging in usurious exploitation.

As Marx pointed out: "**Every commodity, on becoming money, disappears as a commodity, it is impossible to tell from the money itself, how it got into the hands of its possessor, or what article has been changed into it. Non olet, from whatever source it may come.**"[1] Engels likewise pointed out when criticizing Dühring's economic commune: "**By accepting money in payment without any question, the commune leaves open the door to the possibility that this money may have been obtained otherwise than by the individual's own labor. Non olet. The commune does not know where it comes from.**"[2] Therefore, in socialist society, although exploitation is illegal, new bourgeois elements can still continually emerge from monetary exchange. A large part of the legal and illegal interests derived from the bourgeois right enjoyed by the bourgeoisie within the Party is likewise inseparable from monetary exchange. Monetary exchange is also an important economic base for their revisionist line of putting profit in command and relying on material incentives. In the Soviet Union, where capitalism has been fully restored, is it not an extremely obvious fact that money has long since become an instrument of exploitation and been transformed into capital?!

In socialist society, the transformation of the ownership of the means of production has achieved, and socialist public ownership of the means of production has established, bourgeois

---

[1] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

[2] Friedrich Engels, "IV. Distribution," in *Anti-Dühring*.

right in commodity production and commodity exchange has been restricted, and the economic base of money fetishism has been greatly weakened. However, money in socialist society remains a universal equivalent and continues to be "**that absolutely social form of wealth ever ready for use**"[1]; consequently, "**money therefore appears both as the object and the source of the desire for riches.**"[2] As long as money still exists in a socialist society, the exploiting-class ideas of pursuing money and seeking personal wealth will find a market. The "Song of Goodness" in *Dream of the Red Chamber* says: "Everyone knows that being an immortal is good; only gold and silver cannot be forgotten." These words expose the essence of money fetishism and vividly depict the greed of those money-grubbers who prostrate themselves at the feet of Fortuna. Such money worshippers will certainly not disappear even in socialist society. Those members of the new bourgeoisie were dragged "into the mire" because they could not withstand the bourgeoisie's temptation and the corrupting influence of money.

Capitalist society is the society in which money fetishism has developed to its utmost extreme. In today's Soviet Union, where capitalism has been fully restored, money fetishism is even more prevalent than in Western capitalist society. Under the banner of "economic reform," the Soviet revisionist traitor clique is doing its utmost to propagate the extremely vile ideas that "money is omnipotent" and that one should "struggle for money," openly teaching the stench-of-money "art of making money." Works promoting getting rich and prospering have also become rampant in the Soviet revisionist press.

> At the Soviet revisionist Central Plenum in December 1973, Brezhnev said: "Timely invest every ruble in places where tomorrow we can get back two, three, or even ten rubles." He called this practice the "art of making money" and said, "All of us, from the center down to the localities, should learn this complex art of making money." When discussing the results of implementing the "art of making money," the Soviet revisionist traitor clique even smugly declared: "We must provide material incentives without the slightest parsimony—the funds will receive a hundredfold return." The scholars, politicians, and others kept by the Soviet revisionist traitor clique also published books and articles, elaborating extensively on Brezhnev's "art of making money." For example, an economics "doctor" named A. Bierman published an article entitled "The Conscience of an Economist" in *Komsomolskaya Pravda* on August 7, 1975. He

---

[1] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

[2] Karl Marx, "Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy.*

> proposed a "ruble–conscience" formula, advocating starting from "conscience" and striving to earn large amounts of rubles, claiming that "wages are an appropriate document for assessing the quality of a person's work" and that "the more of these rubles a person earns, the greater his honor." According to Bierman's preaching, the ruble represents profit, honor represents fame, and conscience drives people to compete for both fame and profit. This is the essence of the economics of "rubles and conscience."

Revisionist leaders such as Liu Shaoqi, Lin Biao, and Deng Xiaoping were also a gang of devoted believers in money fetishism and fanatical propagandists of bourgeois egoism. Liu Shaoqi repeatedly promoted the business maxim of "making money"; besides openly advocating "huge profits from small capital," Lin Biao also asserted that "there is only one thing in the world that can be relied upon, and that is money"; Deng Xiaoping, for his part, spouted such nonsense as saying that it "doesn't matter if profit takes a leading role" and that "our revolution depends entirely on material incentives," and so forth. Whether Soviet or Chinese modern revisionists, although their formulations differed, all propagated the money fetishism that "money can move the gods" and "with money, one can make the devil turn the millstone." They all turned money into a weapon for poisoning people's souls and realizing the restoration of capitalism.

In socialist society, to gradually eliminate money fetishism, we must actively create the conditions to weaken its social and economic base, restrict bourgeois right in monetary exchange, and wage an unremitting struggle against the capitalist activities in which the bourgeoisie uses money. At the same time, we must conduct an in-depth critique of the absurd theories through which modern revisionists promote money fetishism; propagate Marxism, Leninism, and Mao Zedong Thought; and advocate the spirit of working for the revolution and farming for the revolution. During the socialist historical period, continuously struggling against money fetishism is an important aspect of the proletariat's all-round dictatorship over the bourgeoisie, and an important task of the proletariat and all working people throughout the entire socialist historical stage.

Section One: Currency Circulation in Socialist Society

Relationship between Currency Circulation and Commodity Circulation

Currency circulation and commodity circulation are closely interconnected. Marx said: "**The movement directly imparted to money by the circulation of commodities takes the form of a constant motion away from its starting-point, of a course from the hands of one commodity-owner into those of another. This course constitutes its currency (cours de la monnaie).**"[1] "**The circulation of money is merely a manifestation of the metamorphosis of commodities.**"[2]

The process of monetary circulation is the process in which money continually serves as the means of circulation and the means of payment, mediating the movement of commodities. Thus, commodity circulation is the foundation of monetary circulation; commodity circulation determines monetary circulation, and monetary circulation serves commodity circulation—this is one aspect. On the other hand, monetary circulation itself also has relative independence, specifically manifested in the following respects: first, the directions of movement of monetary circulation and commodity circulation are opposite; second, monetary circulation and commodity circulation may be separated in time and space; third, after a commodity has undergone one or two exchanges, it exits the sphere of circulation, whereas money must remain in circulation to continue serving commodity exchange. The foregoing characteristics of monetary circulation determine that it exerts a certain counter-effect on commodity circulation.

Normal monetary circulation can promote commodity circulation and is a necessary condition for ensuring the smooth progress of socialist reproduction. An excessive or insufficient quantity of money in circulation, or improper issuance of money, will hinder the normal progress of commodity circulation, adversely affect socialist reproduction, and provide urban and rural capitalist forces with more opportunities to exploit. Therefore, properly organizing monetary

---

[1] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

[2] Karl Marx, "Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy.*

circulation and strengthening its purposiveness and planning are objective requirements for the development of the socialist economy, as well as an important task of the state under the dictatorship of the proletariat in restricting bourgeois right within the economic sphere.

The intrinsic connection between monetary circulation and commodity circulation determines that monetary circulation must adapt to commodity circulation. This requires not only organizing commodity circulation in a planned manner, but also strengthening the planning of monetary circulation so that it corresponds to commodity circulation not only overall, but also in terms of its composition, geographical distribution, and timing.

Under capitalism, commodity circulation and currency circulation are blind and ungoverned, making stable currency circulation impossible. Only under socialism did the objective possibility first arise of consciously and systematically regulating currency circulation to adapt it to commodity circulation.

Currency Circulation Channels

In a socialist society, all financial receipts and payments arising from commodity circulation are realized through two forms: cash payment and non-cash settlement. Cash payment refers to the circulation of actual currency in the market, while non-cash settlement refers to bank transfers.

Under capitalism, all enterprises are controlled by capitalists. The capitalists' deposits in banks can be withdrawn as cash at any time, and the conversion between cash payment and non-cash settlement is carried out according to the capitalists' needs.

Under socialism, all sectors of the national economy must be subject to state cash management. Except for minor incidental expenses, all receipts and expenditures must be settled through the state bank on a non-cash basis. Deposits held by any enterprise or organization in a bank may not be freely converted into cash, except for paying wages and withdrawing minor cash amounts as stipulated. This strictly limits the scope of monetary circulation to certain channels, thereby providing an important condition for the state to achieve planned monetary circulation.

Strictly separating cash payments from non-cash settlements and restricting the circulation of money to specific channels is an important characteristic of how socialist states organize monetary circulation. This not only helps reduce the amount of money in circulation and save the costs of monetary circulation, but also helps the state strengthen its management of monetary circulation, regulate it more effectively, limit the blindness and spontaneity of monetary exchange, and restrict bourgeois right in the sphere of monetary exchange.

Non-cash settlement reflects the planned movement of materials in large quantities between socialist enterprises. It is manifested solely in the transfer and fluctuation of monetary funds in bank accounts, which enables the state to supervise and control them through the banks. The amount of monetary funds held by an enterprise does not directly affect changes in the volume of money circulating in the market; the parties to a transaction need not engage in the actual circulation of money for exchange activities to proceed normally.

The volume of currency in circulation is much smaller than the amount of non-cash settlement. In a socialist society, only a small portion of currency circulation is associated with the circulation of the means of production, whereas the greater part is associated with the circulation of consumer goods. The vast majority of the currency in circulation is held by working people in urban and rural areas and is used mainly to purchase personal consumer goods such as food, clothing, and daily necessities. Its characteristics are frequent transactions involving small amounts.

There are mainly four channels for the issuance and withdrawal of money in a socialist society (currency circulation channels):

First, state-run enterprises, public institutions, and government agencies obtain money from the state bank and pay wages to their employees; employees use their wage income to purchase personal consumer goods from commercial departments or pay for other services. In this way, the money flows back to the bank through commercial, service, and other departments. Alternatively, employees may save the money, in which case it returns directly to the bank without being exchanged for commodities.

Second, commercial departments obtain currency from the state bank and purchase agricultural and sideline products from rural collective economy units; collective economy units

use part of the monetary income from selling agricultural and sideline products to purchase means of production such as chemical fertilizers, pesticides, and agricultural machinery from state-run enterprises. In this way, this portion of the currency flows back to the banks through the state-run enterprises. Another part of the monetary income of the collective economy is distributed to collective peasants according to the principle of distribution according to work; collective peasants use it to purchase industrial products from commercial departments or to make savings. In this way, this portion of the currency also eventually flows back to the banks, either indirectly or directly.

Third, under conditions in which market trade exists, part of the monetary income of urban residents also circulates through the purchase of commodities at the market; ultimately, however, it flows back to the bank through peasants' purchases of industrial products and their savings.

Fourth, economic transactions among state-run enterprises, public institutions, and state organs are conducted primarily through non-cash settlement. However, cash is also used for some sporadic, small-value payments; this cash ultimately flows back to the banks through the payment process.

The channels through which currency is injected into and withdrawn from circulation described above show that the volume of socialist currency circulation is directly linked primarily to the quantity of personal consumer goods that the state releases onto the market. Whether the supply of personal consumer goods is adequate plays a decisive role in withdrawing currency from circulation and stabilizing currency circulation. In the field of cash circulation, currency is held by hundreds of millions of different owners, while their consumption needs vary enormously and are constantly changing; the state generally cannot manage these needs through administrative measures, but can only regulate them indirectly on the basis of the coordination among relevant indicators of the national economy and by strengthening the management of the wage fund, etc. If the volume of currency issuance exceeds the supply of commodities, or if the quantity and variety of commodities supplied do not meet consumers' needs, some commodity reserves will consequently decline, some commodities will accumulate unsold, and mismatches between the supply of and demand for certain commodities will arise. Under these

circumstances, some currency whose purchasing power cannot be realized will flow into market trade; urban and rural capitalist forces may seize the opportunity to stir up trouble, use currency exchange to engage in speculation and profiteering and sell goods at high prices, and even establish underground factories, undermine socialism, and destroy the socialist unified planned market.

Cash circulation and non-cash settlement in the market are both distinct and interconnected. Whether cash circulation or non-cash settlement, both perform the basic functions of money and mediate the movement of commodities; therefore, under certain conditions, they can be transformed into each other. For example, if certain localities or departments arbitrarily expand fiscal expenditure and loans, while the fiscal and banking departments fail to rely on enterprises to strengthen fiscal discipline and instead relax credit management, settlement management, cash management, and wage fund management, large amounts of non-cash settlement may be converted into cash circulation, forcing the state to issue more currency and thereby disrupting the comprehensive balancing of the national economy. If leadership in enterprises is not in the hands of true Marxists and the working masses, and some people consider only their own convenience while disregarding the interests of the overall situation, arbitrarily recruit rural labor power, increase wage disbursements, and even blindly believe that "money is omnipotent," using material incentives and methods such as raising wages and welfare standards to expand bourgeois right to stimulate production, and recklessly spend cash, this will also expand the state's currency issuance, undermine the socialist planned economy, and lead enterprises onto the capitalist wrong path.

Law of Currency Circulation

The law of monetary circulation reflects the intrinsic, essential relationships among the various elements of monetary circulation. The basic elements constituting monetary circulation are: (1) the total price of commodities; (2) the quantity of money in circulation; and (3) the velocity of currency circulation (expressed as the number of times a unit of money is exchanged for commodities within a given period). Based on the intrinsic, essential relationships among

these three elements, Marx summarized the law of monetary circulation in the following formula:

$$\text{Necessary Quantity of Money for Circulation} = \frac{\text{Total Price of Commodities to be Realized by Cash}}{\text{Number of Circulation of a Unit of Currency}}$$

Marx's law of monetary circulation states that, within a given period, the necessary quantity of money in circulation is directly proportional to the total price of commodities yet to be realized in cash and inversely proportional to the velocity of currency circulation. Its basic requirement is that the quantity of money in circulation must correspond to the quantity of commodity circulation.

As the universal equivalent, money is the material that expresses, measures, and realizes commodity value. The exchange of money for commodities is, in essence, the equivalent movement of money value and commodity value. Therefore, during a given period, the necessary quantity of money in circulation should, in terms of value, correspond to the magnitude of value of the commodities in circulation that need to be realized with cash during that period. When the magnitude of value of each monetary unit is fixed, the greater the magnitude of value of commodities in circulation, the greater the necessary quantity of money in circulation; the smaller the magnitude of value of commodities in circulation, the smaller the necessary quantity of money in circulation. When the magnitude of value of commodities in circulation is fixed, the greater the magnitude of value of each monetary unit, the smaller the necessary quantity of money in circulation; the smaller the magnitude of value of each monetary unit, the greater the necessary quantity of money in circulation.

In the actual circulation process, the conversion of commodities into money always takes place successively and at different times. The same unit of money can serve the process of converting commodities into money several times within a certain period; one unit of money can therefore function as several units of money. Consequently, the magnitude of value of the money in circulation does not, in reality, need to be exactly equal to the magnitude of value of the commodities in circulation to be realized by cash. Given that the magnitude of value of the

commodities in circulation and the value of each monetary unit are determined, the necessary quantity of money in circulation during a certain period depends on the number of times each unit of money realizes commodity value, that is, the velocity of currency circulation. The faster the velocity of currency circulation, the smaller the necessary quantity of money in circulation; the slower the velocity of currency circulation, the greater the necessary quantity of money in circulation.

The above law of monetary circulation is formulated with the circulation of metallic money as its object. However, this principle applies equally to the circulation of paper money, because paper money is nothing more than a representative of metallic money or its value symbol.

Paper money emerged as a value symbol of money through a historical process of development. At a certain stage in the historical development of money, the money in widespread circulation consisted of gold bullion, silver bullion, and other precious metals; later, these were replaced by gold or silver coinage. Coins gradually became worn in circulation, and their actual value fell below their nominal value, yet they could still circulate as before. At this point, coins had begun to perform the function of a value symbol. On this basis, coinage was later gradually replaced by paper money, which had no value in itself. Why was this development possible? Because, as the universal equivalent, money must itself have value; but when it performs the function of a measure of value, it is merely money in the abstract, and there is no need to have actual gold or silver in one's hands. When money functions as a means of circulation, commodities are exchanged for money in order to use that money to acquire commodities; therefore, regardless of whether its value is full or whether it has any value at all, it is sufficient as long as everyone accepts it. Thus, at a certain stage in the historical development of money, metallic money was inevitably replaced by paper money as a value symbol.

The circulation of paper money is a phenomenon that conceals the essence of money and creates the illusion that money is nothing more than an abstract value symbol or directly represents the value of commodities. The task of science, however, is to see through phenomena to their essence. Even when paper money has no specified gold content and cannot be exchanged

for gold or silver, in essence it is not an abstract concept of value;[1] nor does it directly represent the value of commodities.[2] Rather, it can only be a symbol of gold or silver.

Marx stated it very clearly: "**Paper money is a token representing gold or money. The relation between it and the values of commodities is this, that the latter are ideally expressed in the same quantities of gold that are symbolically represented by the paper. Only in so far as paper money represents gold, which like all other commodities has value, is it a symbol of value.**"[3]

Precisely because paper money is a symbol of gold or a money symbol, the circulation of paper money is ultimately governed and constrained by the law of monetary circulation. "**[The state] may throw any number of paper notes of any denomination into circulation but its control ceases with this mechanical act. As soon as the token of value or paper money enters the sphere of circulation it is subject to the inherent laws of this sphere.**"[4] This means that "t**he issue of paper money must not exceed in amount the gold (or silver as the case may be) which would actually circulate if not replaced by symbols.**"[5] The quantity of paper money in circulation must correspond to the quantity of metallic money required in circulation. Only in this way can the unit magnitude of value represented by paper money remain stable. If this is not the case and the issue of paper money exceeds this objective limit, paper money will depreciate

---

[1] In the course of elucidating the theory of money, Marx once criticized the idealist interpretation of money offered by Berkeley (1684–1753), the English bishop and representative of mystical idealism in philosophy. Marx said: "**In this passage, the author, on the one hand, confuses the measure of value with the standard of price, and on the other he confuses gold or silver as measure of value and as means of circulation. Because tokens can be substituted for precious metals in the sphere of circulation, Berkeley concludes that these tokens in their turn represent nothing, i.e., the abstract concept of value.**" (Karl Marx, "Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy.*) According to Marxist monetary theory, paper money as the standard of price and the means of circulation need not itself represent anything, but only the abstract concept of value; however, as the measure of value, paper money is different: it can only be a symbol of gold, representing a certain quantity of gold; otherwise, it cannot serve as a measure of value.

[2] Paper money directly represents the value of commodities; this is also an erroneous view criticized by Marx. He said: "**The token of value therefore seems to represent the value of commodities directly, since it appears to be not a token of gold but a token of the exchange-value which exists solely in the commodity and is merely expressed in the price. But the appearance is deceptive. The token of value is directly only a token of price, that is a token of gold, and only indirectly a token of the value of the commodity.**" (Karl Marx, "Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy.*)

[3] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

[4] Karl Marx, "Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy.*

[5] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

and prices will rise. "**The rise of prices would be merely a reaction of the process of circulation, which forcibly placed the tokens of value on a par with the quantity of gold which they are supposed to replace in the sphere of circulation.**"[1]

Under socialism, the relations of production reflected by money and the role it plays have undergone major changes, but the essence of money as a universal equivalent has not changed, nor have its basic functions. Marx's theory of the law of monetary circulation remains valid: "**This law holds generally.**"[2]

The law of monetary circulation, like other economic laws that operate in several social systems, is independent of human will; however, the form in which it operates varies according to the different social systems. In capitalist society, the law of monetary circulation operates as an alien force under market competition and unplanned production. In socialist society, however, because a planned economy is implemented, once the law of monetary circulation has been correctly understood, it can potentially be consciously utilized under the guidance of a correct line, thereby planning monetary circulation, eliminating the interference of spontaneous capitalist forces, and enabling it to serve the organization of production and commodity circulation, as well as the consolidation of the economic base of the dictatorship of the proletariat.

---

[1] Karl Marx, "Chapter 2: Money or Simple Circulation," in *A Contribution to the Critique of Political Economy.*

[2] Karl Marx, "Chapter Three: Money, Or the Circulation of Commodities," in *Capital*, Vol. I.

Section Two: Renminbi in China

In semi-colonial and semi-feudal China, because the reactionary Kuomintang government, which represented the interests of the big landlords and big bourgeoisie, had thrown in its lot with imperialism, the power to issue and manage currency was entirely controlled by the imperialist powers. With the foundation of the People's Republic of China, our government abolished all the financial privileges of imperialism and prohibited any foreign bank

In our country, we issued currency and prohibited all foreign currencies from circulating or being traded in the domestic market; at the same time, we confiscated the state bank of the Kuomintang regime, prohibited the circulation of fake legal tender, and established an independent, unified, and stable monetary system centered on the issuance of Renminbi.

The Kuomintang reactionary regime was smashed piece by piece as the revolutionary war developed victoriously and the revolutionary base areas were established and expanded gradually; accordingly, the strongholds of currency circulation were also occupied one by one. During the War of Resistance Against Japan, the anti-Japanese democratic governments led by the Communist Party of China issued their own paper money in the various Anti-Japanese base areas. For example, the Shaanxi-Gansu-Ningxia Liberated Area issued Shaanxi-Gansu-Ningxing Border Region Banknotes, the Shanxi-Suiyuan Liberated Area issued Northwest Farmers Banknotes, the Shanxi-Hebei-Shandong-Henan Liberated Area issued South Hebei Banknotes, the Shandong Liberated Area issued Beihai Banknotes, the Central China Liberated Area issued Central China Banknotes, and the Guangdong Dongjiang Liberated Area issued Southern Banknotes. During the Third Chinese Revolutionary Civil War, as victories in the People's Liberation War followed one another, some newly liberated areas also issued new paper money, such as Northeast Banknotes in the Northeast Liberated Area, Guandong Banknotes in Dalian Area, Great Wall Banknotes in the Hebei-Rehe-Liaoning Liberated Area, Zhongzhou Farmers Banknotes in the Central Plains Liberated Area, and so on.

In the winter of 1948, as the Liaoshen, Huaihai, and Pingjin campaigns were being waged successfully, the prospects for the People's Liberation War to achieve nationwide victory had already emerged. To provide further support for the war, secure victory, and prepare for postwar

economic recovery and planned socialist construction, establishing an independent, unified, and stable socialist monetary system became an important task for the Party on the economic front. On December 1, 1948, the People's Bank of China was established on the basis of the former North China Bank, Beihai Bank, and Northwest China Farmers Bank. It first issued Renminbi in the North China Liberated Area and gradually withdrew the paper money issued in the various liberated areas according to specified exchange rates. Thus, Renminbi began to serve as the currency of New China, and perform its historical mission.

Practice over the past twenty-plus years has shown that our Renminbi has become one of the few stable currencies in the world. Since the founding of the People's Republic, market prices in our country have remained stable for a long period; this is the main indication of the Renminbi's stability. Compared with the soaring prices and rapid depreciation of the so-called "Chinese National Currency" before liberation, this truly represents two different worlds under two different social systems!

> In old China, the reactionary Kuomintang implemented a policy of rampant inflation to make up for the military expenditure of its enormous counterrevolutionary war. During the twelve-year period of inflation from 1937 to 1949, the amount of Chinese National Currency in circulation increased by more than 140 billion times, while prices rose by more than 850 billion times over the same period, reaching a scale rarely seen anywhere in the world. Someone once offered the following vivid analysis of the depreciation of the Chinese National Currency: the purchasing power of 100 yuan in Chinese National Currency was equivalent to two yellow cattle in 1937, one yellow cattle in 1938, one pig in 1939, one bag of flour in 1941, one chicken in 1943, two eggs in 1945, one-sixth of a bar of Guben soap in 1946, one coal briquette in 1947, 0.002,416 liang (0.000,075,5 kg) of rice on August 19, 1948 (using the 16-liang system), and 0.000,000,00,185 liang (0.000,000,000,00578125 kg) in May 1949 (that is, 2.45 ten-millionths of a grain of rice). From two yellow cattle to 2.45 ten-millionths of a grain of rice, who knows how much suffering, blood, and tears of the people were contained in this transformation!

Our trade with many countries and regions has already begun using the renminbi for pricing and settlement. The renminbi's international reputation is growing steadily, fully demonstrating that our monetary system has tremendous superiority over capitalism.

In contrast to the situation in our country, economic crises and financial and monetary crises have continued to erupt throughout the entire capitalist world, creating widespread chaos.

In US imperialism and Soviet revisionist social imperialism, which lay claim to being "superpowers," the value of their currencies has continued to decline, while gold has steadily flowed abroad. This is a profound manifestation of the increasing decay of capitalism.

> In the more than thirty years since the war, while Western capitalist countries have been plagued domestically by inflation and soaring prices, waves of selling US dollars and buying gold have repeatedly erupted in the financial markets. The price of the US dollar plummeted, while the price of gold measured in US dollars soared. After announcing a 7.89% devaluation of the US dollar at the end of 1971, the United States announced another 10% devaluation in February 1973. On the international market, however, the actual extent of the US dollar's devaluation had far exceeded the figures officially announced by the United States. In 1974, the official US gold price was $42.22 per ounce, while the gold price on the London free market reached as high as $195.25 per ounce—nearly five times higher. The status of the "gold-dollar empire" declined precipitously; the capitalist monetary system centered on the US dollar had collapsed completely, and the international monetary and financial system of the capitalist world had fallen into tremendous turmoil and chaos.
>
> Under Soviet revisionist social imperialism, the ruble also depreciated sharply. According to a composite calculation of the prices of more than sixty consumer goods in the Soviet Union, prices in 1973 were approximately 30% higher than in 1960. Commodity prices in the free market rose even more sharply: in 1972, retail food prices in the free market were 62% higher than the state-set prices. The external exchange value of the Soviet ruble had fallen by 55% compared with its value when the new ruble was introduced in 1961.

Why does the currency in circulation continually depreciate in capitalist imperialist and social imperialist countries, as well as in many other capitalist countries, while the value of our Renminbi remains highly stable and enjoys great prestige both at home and abroad? The correct answer can only be found in the economic systems of different societies.

In imperialist countries, the contradiction between the relations of production and the productive forces is becoming increasingly acute, causing profound economic crises and disasters. To extricate themselves from this predicament, the governments of these countries resort to expanding armaments and preparing for war, running large fiscal deficits, and recklessly issuing paper money, in an attempt to stimulate social purchasing power by artificial means. In doing so, however, they cannot escape punishment: prices rise and the value of the currency falls. This phenomenon is precisely the reaction produced when the circulation process forcibly compels value symbols to equal the quantity of gold they replace in circulation.

In our country, the situation is different. The establishment of the dictatorship of the proletariat and socialist public ownership has eliminated the antagonistic contradictions inherent in capitalism, enabling us to organize social production, circulation, and distribution in a planned manner and, in accordance with the objective requirements of the law of monetary circulation, to issue and withdraw currency according to plan, so that monetary circulation is basically commensurate with the needs of commodity circulation.

The long-term stability of the value of the Renminbi in our country is achieved through struggle and results from Chairman Mao's proletarian revolutionary line continually defeating the counterrevolutionary revisionist line of Liu Shaoqi, Lin Biao, and Deng Xiaoping. If monetary circulation were organized according to the revisionist line represented by Liu Shaoqi and others—namely, that "a few more banknotes could be issued" and that the more currency "inflates, the wealthier we become"—the volume of currency in circulation would inevitably exceed the objective needs of commodity circulation, thereby causing tight commodity supplies, rising prices, and currency depreciation. In this way, the socialist revolution and socialist construction would be undermined, the lives of the working people would fall into grave difficulties, while a small handful of bourgeois elements would inevitably stir up trouble and make huge profits. There is no doubt about this. China in the past and the Soviet Union today are two mirrors.

"**Everything is determined by whether the ideological and political line."** The same is true of the stability of the Renminbi. More than twenty years of practice have proved that only by resolutely implementing Chairman Mao's proletarian revolutionary line can we fully bring into play the superiority of socialism, consciously make use of the law of monetary circulation, restrict bourgeois right in the circulation process, consolidate the dictatorship of the proletariat, promote the development of the socialist construction and improve the lives of the working people. Specifically, the main reasons why China's Renminbi has been able to remain stable for a long period are as follows:

First, there is a powerful socialist economy that ensures the supply of large quantities of commodities to the market at stable prices, providing a solid material foundation for the stability of the Renminbi. Monetary circulation serves commodity circulation. The more commodities the

state controls, the greater the necessary quantity of money required to serve commodity circulation in accordance with the requirements of the law of monetary circulation. Thus, the volume of monetary circulation will not exceed the necessary amount, and there will be no excess money supply or depreciating of currency. Since the foundation of the People's Republic, China has initially established an independent industrial system. The Chinese people have adhered to the policy of "**develop the economy and ensure supplies**," vigorously developing production in the order of agriculture, light industry, and heavy industry. As a result, the supply of various commodities for the market—including food, clothing, and daily necessities—has steadily increased, and the state's commodity inventories have continued to expand. Compared with 1964, industrial output value in 1974 had increased 1.9-fold, agricultural gross output value had increased by 51%, and the total value of commodity procurement and retail sales in 1973 had each increased by more than sixfold compared with the early days after Liberation. Every one yuan of Renminbi issued by China is backed by several yuan worth of commodities. This proves that the stability of the Renminbi's value is the result of ample commodity supplies serving as its backing.

Second, our monetary circulation, like commodity circulation, is carried out under the guidance of the state plan. How much wages the state pays each year, how many agricultural and sideline products it purchases, how much currency it needs to put into circulation, and, correspondingly, how many commodities it needs to supply to the market and how much currency it needs to withdraw from circulation are all planned and coordinated by the state in accordance with the objective requirements of the law of monetary circulation. Guided by the general policy of developing the national economy with "**agriculture as the foundation and industry as the leading force**," the state strives, on the one hand, to make the growth of production correspond to the needs of the people and, on the other hand, organizes monetary circulation according to plan, so that currency can be issued and withdrawn through planned channels, ensuring that monetary circulation can meet the needs of commodity circulation. This is another reason for the long-term stability of the value of the Renminbi in our country.

Third, the balance between the state's fiscal revenue and expenditure ensures that currency circulation does not depart from the track required by commodity circulation. Chairman

Mao pointed out long ago: "**Balancing budgetary revenues and expenditures, checking inflation and stabilizing prices**";[1] "**The issuing of notes by the state bank is based primarily on the needs of economic development.**"[2] If the state's fiscal revenue and expenditure are unbalanced, it would inevitably result in the additional issuance of paper money; once the issuance of paper money exceeds the needs of commodity circulation, the circulation process would compel paper money (value symbols) to equal the quantity of gold they replaced, thereby causing the value of the currency to fall and prices to rise.

In socialist construction of China, following Chairman Mao's teachings, the policy of maintaining a balance between fiscal revenue and expenditure has consistently been upheld: we do only what we have the money to do, and do not permit fiscal expenditures to be covered by increasing the issuance of paper money. China has long since become a "debt-free country," with neither external debt nor domestic debt. The overwhelming majority of socialist fiscal revenue comes from the income of state-run enterprises. The continuous development of industrial and agricultural production and the steady expansion of commodity circulation provides a firm guarantee for the gradual growth of fiscal revenue. Socialist fiscal expenditure is used primarily to develop the socialist economy and national defense, culture, and education. China's sound and consolidated fiscal balance between revenue and expenditure provides an important prerequisite for the long-term stability of the Renminbi.

The development of the socialist economy requires the state, in accordance with the requirements of the law of monetary circulation, to control currency issuance in a planned manner, so that currency circulation corresponds to commodity circulation and stability of price and currency value are maintained. Objectively, socialist society also possesses the conditions necessary to realize this requirement. However, this does not mean that there are no contradictions whatsoever between socialist currency circulation and commodity circulation. In the course of national economic development, many factors may affect the balance between currency circulation and commodity circulation, and may affect the stability of the currency's

---

[1] Mao Zedong, "Fight for a Fundamental Turn for the Better in the Nation's Financial and Economic Situation," in *Selected Works of Mao Zedong*, Vol. IV, 28.

[2] Mao Zedong, "Our Economic Policy," 144-145.

value. For objective factors, for example, disruption and sabotage by the bourgeoisie inside and outside the Party, the impact of urban and rural capitalist forces, and poor harvests in agricultural production may all directly affect the supply of consumer goods in the market. For subjective factors, the arrangement of the proportional relationship among agriculture, light industry, and heavy industry may be inappropriate, and the allocation of commodities and issuance of currency among different regions and seasons may also may become unbalanced. All these factors can cause part of the purchasing power of money to remain unrealized, thereby affecting the stability of the currency's value. Particularly in places and departments affected by the bourgeoisie within the Party's promotion of the revisionist line, they will inevitably lead to the rampant growth of capitalist forces and disrupt the normal circulation of money. Therefore, it is necessary to uphold the struggle of the correct line against the erroneous line, promptly identify contradictions under the guidance of the correct line, and have the state overcome them in a timely manner by adjusting plans and adopting correct measures, so that the circulation of money is compatible with the circulation of commodities and a new balance is achieved. The continuous exposure and resolution of contradictions in the course of class struggle precisely demonstrates the incomparable superiority of socialism over capitalism.

Part Four: Distribution and Reproduction in Socialist Society

Chapter Ten: Distribution in Socialist Society

Section One: Distribution of National Income

Ownership Relations Determine Distribution Relations

Distribution is an important link in social reproduction. Only through this link can social products enter productive consumption and personal consumption, enabling social reproduction to continue. Therefore, after understanding the socialist production process and circulation process, we must further understand socialist distribution and the reproduction process.

Socialist distribution is fundamentally different from capitalist distribution. However, bourgeois right still holds a dominant position in the sphere of distribution. The capitalist roaders in authority within the Party always seek to seize this important link of distribution, striving to strengthen and expand bourgeois right in distribution in order to restore the exploitative relations of capitalism. For the proletariat to struggle against the bourgeoisie, prevent the restoration of capitalism, and promote the development of socialist production, it is necessary to restrict bourgeois right in distribution and correctly handle the relations among the state, the collective, and the individual.

Distribution first concerns the distribution of national income, and only then can we discuss the distribution of personal consumer goods. Let us begin with the distribution of national income.

The total amount of means of production and means of consumption produced by workers in the material production sectors of a country during a given period (usually calculated on an annual basis) is called the total social product; the portion of the social products remaining after deducting the means of production used to compensate for those already consumed is the national income. It is created by the living labor expended by workers in the material production

sectors during a given period. How national income is distributed not only affects the development and scale of social reproduction, but also centrally reflects the relations of production of a given society.

The material production sectors that create national income include: industry (including the construction industry), agriculture (including forestry, animal husbandry, sideline production, and fishery), the part of the transportation industry serving freight transport, the part of the posts and telecommunications sector serving production, and the part of materials supply and commerce that continues the production process (such as the necessary packaging, storage, processing, and transport during the circulation process).[1]

Because the socialist production process has the dual character of a directly social labor process and a value-creation process, the national income of a socialist society manifests itself both in physical form and in value form. National income in physical form cannot be calculated by simple addition because the products differ in type; however, we can calculate its total in value form by using the prices of a particular year held constant. National income calculated in this way at constant prices for a particular year can reflect changes in the growth of national income in physical form over a period of several years. National income is a comprehensive indicator in the national economic plan. Analyzing changes in national income growth can reveal the level of a country's productive forces and changes in the pace of its economic development.

What determines the distribution of that part of social products which constitutes national income? The distribution relations of the products of any society cannot be chosen at will; rather, they are determined by a certain ownership of the means of production and by people's mutual relations with one another in production. The nature of the ownership of the means of production and of people's mutual relations in production determines the nature of the distribution relations of products. The ownership of the means of production is the decisive factor.

Once the nature of ownership is established, the nature of the distribution relations for products is established accordingly. Marx pointed out: "**The particular mode of men's**

---

[1] In capitalist society, anything that can bring profit to capitalists is regarded as productive activity. Therefore, the income earned by service industries and commercial activities that, in fact, create no value, is also included in national income. A considerable portion of the national income in capitalist society is fictitious and has been artificially inflated.

participation in production determines the specific form of distribution, the form, in which they share in distribution."[1] The "**particular mode of participation in production**" referred to here by Marx means the ownership of the means of production and the mutual relations among people in production.

In capitalist society, because the means of production are in the hands of the capitalists, the proletariat possesses no means of production and can only sell its labor power to the capitalists, suffering exploitation and oppression at their hands. Therefore, the basic distribution relation in capitalist society is that workers receive, in the form of wages, only the small portion of national income necessary merely to maintain the reproduction of their labor power; the capitalists, meanwhile, appropriate to themselves in various forms the overwhelming majority of the national income created by the workers—using one portion for their extravagant wastefulness and licentious, shameless parasitic lifestyle, while transforming another portion back into capital, expanding capitalist reproduction in order to extract more surplus value from the workers.

In socialist society, socialist public ownership of the means of production has replaced private ownership of the means of production, and the working people have become the masters of the means of production, no longer subject to exploitation and oppression. The corresponding distribution relations are that the national income created by the working people belongs entirely to the working people and is distributed according to principles conducive to their interests—namely, with due regard for the interests of the state, the collective, and the individual. Therefore, the question of distribution cannot be discussed apart from ownership and the relations among people in production; to discuss distribution apart from ownership and the relations among people in production is to depart from Marxism.

In nineteenth-century Germany, Lassalle, Dühring, and their associates discussed the question of distribution precisely by detaching it from ownership of the means of production. They believed that the capitalist mode of production is good, except that distribution is unfair. They advocated using so-called "fair distribution," which did not infringe upon private ownership of the means of production, to eliminate the poverty of working people. Clearly, this

---

[1] Karl Marx, "I. PRODUCTION, CONSUMPTION, DISTRIBUTION, EXCHANGE (CIRCULATION)," in *A Contribution to the Critique of Political Economy.*

is a reactionary theory designed to deceive working people and uphold capitalist private ownership. In criticizing the Lassalleans, Marx pointed out: "**It was in general a mistake to make a fuss about so-called distribution and put the principal stress on it.**"[1]

The erroneous view Marx criticized here was the view of "distribution determinism." Although this "distribution determinism" was profoundly criticized by Marx more than a hundred years ago, foreign and Chinese revisionists, both old and new, still frequently revive it in altered forms to oppose Marxism and socialism. Liu Shaoqi desperately propagated the view that "the contradiction between relations of production and productive forces in socialist society is manifested mainly in the question of distribution." The Lin Biao clique, for its part, promoted "distribution according to work and the principle of material incentives" as the "decisive power" for developing production. These capitalist-roaders deliberately separated distribution from ownership of the means of production and mutual relations, presenting it as a matter of paramount importance, "**Hence the presentation of socialism as turning principally on distribution**";[2] they used the so-called "question of distribution" to conceal questions of ownership and mutual relations, as well as class contradictions and class struggle. Their criminal aim was to attempt to undermine socialist relations of production and overthrow the dictatorship of the proletariat.

While criticizing "distribution determinism," it is also necessary to recognize that distribution is not a purely passive and negative factor in social production. Distribution is determined by production, yet it also acts back upon production, upon the mutual relations among people in production, and upon ownership. In socialist society, properly handling the question of distribution helps mobilize all positive factors, accelerate the pace of socialist construction, and consolidate and develop socialist public ownership.

---

[1] Karl Marx, "Critique of the Gotha Programme."

[2] Ibid.

Primary Distribution and Redistribution of National Income

How is national income distributed in socialist society? It first undergoes primary distribution within the sphere of production and then redistributed. Because the two forms of socialist public ownership have different forms of distribution, the distribution of national income in socialist society exhibits a certain degree of complexity.

Let us first examine primary distribution in the two forms of socialist public ownership economies.

The gross output value created by socialist state-run enterprises must first be dedicated the value of the means of production consumed in the production process. The remainder is the national income created by workers in state-run enterprises, that is, the enterprises' net output value. This portion of income created by state-run enterprises is directly subject to an initial, unified, and rational distribution by the socialist state in accordance with the needs of the national economy, and is divided into two major components: employees' wages and social net income (profit). Social net income is concentrated in the hands of the state through two forms—profit remittances and taxes—and is distributed and used by the state in a planned manner according to the needs of developing the national economy and the interests of the proletariat and the broad masses of working people.

In the collective economy of China's rural people's communes, the portion remaining after deducting from gross output value the value of the means of production consumed in the production process is the national income created by commune members during the year. At the present stage, China's rural people's communes practice three-level collective ownership based on the production team. The primary distribution of national income is likewise based on the production team and is carried out separately within the three-level collective economies of the commune, brigade, and production team. In certain communes that use the production brigade as the basic accounting unit, the primary distribution of national income is based on the brigade and is carried out separately within the two-level collective economies of the commune and brigade.

The national income created by the collective economy at all levels of the commune, after primary distribution, is divided into the following parts: (1) net income collected by the

state in the form of taxes; (2) the accumulation fund (including grain reserves) and public welfare fund used by the collective economy; and (3) income from work points at the disposal of individual commune members.

The primary distribution of the national income of rural people's communes concerns the relationships among the interests of the state, the collective, and individuals, and these relationships must be handled correctly. As Chairman Mao taught: "**On the question of distribution, we must take the interests of the state, the collective and the individual into account. We must properly handle the three-way relationship between the state agricultural tax, the co-operative's accumulation fund and the peasants' personal income, and take constant care to make readjustments so as to resolve contradictions between them.**" "**We should do everything possible to enable the peasants in normal years to raise their personal incomes annually through increased production.**"[1] Considering that agricultural production is to a considerable extent affected by natural conditions, rural people's communes must follow the principle of "Use surplus from good harvests to offset poor harvests." In years of good harvests, they may appropriately increase accumulation somewhat; in years of poor harvests, they should retain less or no accumulation, thereby stabilizing commune members' standard of living and enabling them to improve gradually year by year.

After the primary distribution of national income within the sphere of production of material goods, the primary incomes of the socialist state, collectively owned enterprises, workers, and peasants are formed. However, distribution cannot stop there. After undergoing primary distribution, national income must also undergo redistribution in order to form secondary income.[2] Why is redistribution necessary? This is because, in addition to production sectors such as industry and agriculture, socialist society also has various non-material production sectors, such as culture, education, and health, some service industries, as well as the military and state administration organs. These sectors are essential for the comprehensive

---

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 400-401.

[2] The concentrated net income obtained by the socialist state through participation in the primary distribution will be used for various purposes, but not every item of expenditure constitutes a redistribution of national income. For example, when the state provides production-related appropriations to state-run enterprises, no change in ownership takes place; since no secondary income is generated, this does not fall within the scope of national income redistribution.

development of the socialist economy and culture, for improving and enriching the material and cultural life of working people, and for consolidating the dictatorship of the proletariat. Although the labor of workers in these sectors does not directly create social products or national income, it is nevertheless labor required by socialist society. Workers in the production and non-production sectors serve one another; in fact, an exchange relationship exists between them. Therefore, after undergoing primary distribution, national income must undergo redistribution. The wages and various expenses paid by non-production sectors are provided through the redistribution of the national income created by the production sectors.

In addition, a socialist society should provide appropriate care for the living and educational needs of citizens who have lost their labor power, the families of revolutionary martyrs and military personnel, households facing hardship, and elderly, weak, orphaned, widowed, and disabled people who lack support in life. At the same time, society should provide employees with free medical care, hardship assistance, and so on. To meet these needs, there should be a social security fund. This fund should also be established through the redistribution of national income.

The redistribution of national income in a socialist society is carried out mainly through the following two channels: (1) the state budget. A socialist state transforms the monetary funds collected through budget revenue, by means of budget expenditure, into income for non-production departments and their workers, and uses them to meet the growing needs of collective welfare services throughout society. (2) The activities of service industries. Workers, peasants, and other working people use the personal income they have already received to pay the fees charged by service industries; some service industries do not directly create value, and they convert part of the income they receive into wage expenditures, which in turn become the personal income of the workers in these service industries.

The redistribution of national income is also affected, to a certain extent, by price changes. For example, in order to narrow the “scissors difference” between the prices of industrial and agricultural products left over from the old society, under conditions of production development, reducing the selling prices of industrial products and raising the purchasing prices of agricultural products would increase peasants’ incomes.

In a socialist society, national income, after distribution and redistribution, is ultimately divided into two parts: one part is placed at the disposal of the socialist state and collectively owned enterprises, and is used for extended reproduction and meeting other common social needs; the other part belongs to the workers and is mainly used to meet their individual needs. In the course of use, these two parts of national income ultimately serve two purposes: the accumulation fund and the consumption fund.

The result of the distribution and redistribution of the entire social product and national income can be listed as follows[1]:

Total Product of Socialist Society

National Income

Accumulation Fund

Extended Reproduction Fund: Capital construction for industry, agriculture, transportation, and other productive industries, and increasing working capital of enterprises

Non-Productive Capital Construction Fund: Capital construction for culture, education and health departments, national administration and national defense, and non-productive capital construction of industry and agriculture

Social Reserve Fund: Material reserve to prevent accidental interruption of reproduction of socialist state and enterprises to prepare for war and against famine, such as raw material, fuel, and food reserve of the state, as well as food reserve of people's communes

[1] The foreign aid expenditures of a socialist state, like other items in the balance of payments, are not reflected in the national income distribution statement. We believe that foreign aid expenditures should be included neither in the accumulation fund nor in the consumption fund, but should accurately be called the "foreign aid fund." This foreign aid fund must be deducted from total national income, while other balance-of-payments differences arising from remittances, international trade, and other factors must be added or subtracted; only then do we arrive at the national income available for domestic use. After the national income available for domestic use has undergone distribution and redistribution, it is ultimately divided into the two major categories of the accumulation fund and the consumption fund. If, several years after the foreign aid fund (meaning the loan portion) has been disbursed, some of it is repaid, the repayment should be calculated together with the other balance-of-payments items for that year. If the resulting international receipts exceed expenditures, the national income available for domestic use in that year correspondingly increases, thereby increasing accumulation and consumption.

Consumption Fund:

National Administration Fund: For expenses in national administration and national defense

Cultural Education Healthcare Fund: For expenses in science, education, healthcare, art, and other areas

Social Security Fund: For expenses in labor insurance, public healthcare, and social security of the socialist state and enterprises

(Wages of employees in relevant departments are included in the aforementioned three funds)

Personal Consumption Fund in Production and Circulation: For paying wages of employees in productive and circulation works and labor remuneration of members of collectives

Compensating Means of Production Consumed

The total social product and national income are produced and created by the working people and, in a socialist society, belong to the working people. However, as can be seen from the table above, belonging to the working people does not mean that the entire social product is distributed directly into the hands of individual workers. In criticizing the fallacy of the "undiminished proceeds of labor" advocated by the Lassalleans, Marx pointed out that various necessary deductions must be made before the distribution of personal consumer goods. Naturally, these deductions are ultimately also used to benefit the workers. "**What the producer is deprived of in his capacity as a private individual benefits him directly or indirectly in his capacity as a member of society**."[1] This is fundamentally different from the distribution of products and national income in the old society. The fact that social products and national income must be distributed with "deductions" does not mean that the more is withheld, the better; rather, the interests of the state, the collective, and the individual should be balanced, as

[1] Karl Marx, "Critique of the Gotha Programme."

should long-term and immediate interests, and the lives of the working people should be gradually improved on the basis of developing production.

Section Two: Distribution of Personal Consumer Goods

Historical Reasons For Implementing Principle of "From Each According to Their Ability, to Each According to Their Work"

The distribution of personal consumer goods takes place after all necessary deductions have been made from the total social product. More than a century ago, Marx scientifically foresaw that, in a socialist society, the distribution of consumer goods could not yet implement the communist principle of "from each according to his ability, to each according to his needs"; instead, distribution would have to be based on the amount of labor each worker provided to society—that is, distribution according to work. Marx explained distribution according to work as follows: "**The social working day consists of the sum of the individual hours of work; the individual labor time of the individual producer is the part of the social working day contributed by him, his share in it. He receives a certificate from society that he has furnished such-and-such an amount of labor (after deducting his labor for the common funds); and with this certificate, he draws from the social stock of means of consumption as much as the same amount of labor cost. The same amount of labor which he has given to society in one form, he receives back in another.**"[1]

Marx's theory of distribution according to work was developed on the basis of analyzing the distribution theories of the utopian socialists and criticizing Lassalle's opportunist fallacies.

> At the beginning of the nineteenth century, some utopian socialists began to put forward ideas resembling distribution according to work. The French Saint-Simon (1760–1825) said that, in future society, each person's status and income should be proportional to their ability; Saint-Simon's students consequently proposed the principle of "wage according to ability, ability determined by work efficiency." Another French utopian socialist of Saint-Simon's time, Fourier (1772–1837), also envisioned partially distributing products according to labor within the "phalanx," the basic unit of his future society. Both Saint-Simon and Fourier regarded the distribution according to work they had initially proposed as the most ideal principle of distribution. However, the ideal societies they envisioned still retained private ownership of the means of production. The Saint-Simonists considered capitalists to be workers as well and regarded

[1] Karl Marx, "Critique of the Gotha Programme."

the profit obtained by capitalists as labor remuneration for their operation and management of enterprises; Fourier, meanwhile, advocated distributing part of the products according to labor and another part according to share capital (Fourier envisioned that, of the phalanx's total income, five-twelfths would be distributed according to labor, four-twelfths according to share capital, and three-twelfths according to knowledge).

Marx and Engels sharply criticized the utopian socialists for treating "distribution according to work," which left capitalist property relations untouched, as the most ideal principle of distribution. In *The German Ideology*, written by Marx and Engels in 1845–1846, they criticized the Saint-Simonists' formula of "wage according to ability," pointing out: "**One of the most vital principles of communism, a principle which distinguishes it from all reactionary socialism, is its empirical view, based on a knowledge of man's nature, that differences of brain and of intellectual ability do not imply any differences whatsoever in the nature of the stomach and of physical needs; therefore the false tenet, based upon existing circumstances, 'to each according to his abilities,' must be changed, insofar as it relates to enjoyment in its narrower sense, into the tenet, "to each according to his need"; in other words, a different form of activity, of labor, does not justify inequality, confers no privileges in respect of possession and enjoyment.**"[1] Here Marx and Engels both criticized the reactionary character of the utopian socialists' so-called "wage according to ability," which left the foundations of capitalism untouched, and pointed out that this principle of distribution itself still embodied bourgeois right. They also scientifically anticipated that, in communist society, the distribution of personal consumer goods would follow the principle of "distribution according to need," although at that time they had not yet mentioned the need for a transition from "distribution according to work" to "distribution according to need." In 1867, in Volume I of *Capital*, Marx stated for the first time that, after the overthrow of capitalism and on the basis of the public ownership of the means of production, labor time "**serves as a measure of the portion of the common labor borne by each individual, and of his share in the part of the total product destined for individual consumption.**"[2] In 1875, in *Critique of the Gotha Programme*, Marx explicitly put forward for the first time the idea that communist society develops in two stages. At the same time, he once again proposed that, in the first stage of communist society, the principle of distribution according to work would still have to be applied to the distribution of consumer goods, and he provided a penetrating and dialectical analysis of distribution according to work. On the one hand, he pointed out that the rights contained in distribution according to work "**is still constantly stigmatized by a bourgeois limitation,**" which was undoubtedly "**defects**"; on the other hand, he stated: "**These defects are inevitable in the first phase of communist society.**"[3] Subsequently, Engels and Lenin both provided further profound discussions of distribution according to work.

---

[1] Karl Marx, "'Doctor Georg Kuhlmann Of Holstein' Or The Prophecies of True Socialism," *The German Ideology.*

[2] Karl Marx, "Chapter One: Commodities," in *Capital*, Vol. I.

[3] Ibid.

The socialist society's implementation of the principle "from each according to his ability, to each according to his work" is determined by objective conditions. On the one hand, the establishment of socialist public ownership of the means of production has began the direct association of the means of production with workers throughout society or within a collective, fundamentally changing the status of the working people and the nature of their labor. This has created the economic and political conditions for workers to contribute to social labor to the fullest extent of their abilities. On the other hand, because the socialist society still bears, in its economic, moral, and spiritual aspects, the marks of the old society from which it emerged, it cannot yet implement distribution according to need and can only implement distribution according to work. More specifically, the fact that the socialist society is still unavoidably required to implement the principle of distribution according to work is determined by the following conditions:

First, the level of development of the productive forces is not yet sufficiently high, and social products are not yet extremely abundant, so the material conditions for implementing distribution according to need do not yet exist.

Second, the old social division of labor has not yet been abolished. Essential differences still exist between workers and peasants, between urban and rural areas, and between intellectual labor and physical labor. The labor that individual workers can provide to society as a result of these differences also differs in both quantity and quality. In distributing personal consumer goods, these differences cannot but be recognized, thereby accepting unequal work capacities as a natural privilege.

Third, for most people, labor has not yet become the primary necessity of life; "**We must not think that having overthrown capitalism people will at once learn to work for society without any rules of law.**"[1] In particular, because classes and class struggle continue to exist in the socialist society, the exploiting classes constantly disseminate such pernicious ideas as "love of ease and hate of work" and "living without working" through various channels, poisoning the minds of the working people. Therefore, a communist work attitude involving labor without

[1] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *The State and Revolution*.

regard to remuneration cannot become universally established in a short period, and the ideological conditions for implementing distribution according to need do not yet exist.

Marx pointed out: "**Right can never be higher than the economic structure of society and its cultural development conditioned thereby.**"[1] Therefore, the socialist society must still implement the principle of distribution according to work; that is to say, it must continue to use labor as the measure for distributing personal consumer goods. Taking appropriate account, in distribution, of differences in the labor that workers provide to society is relatively easy for the majority of people to understand and accept at the present stage, helps combat the ideas of "love of ease and hate of work" disseminated by the exploiting classes, and promotes the development of the social productive forces.

Bourgeois Right in Distribution According to Work Is Dominant

The principle of "from each according to their ability, to each according to their work" was established on the basis of the socialist public ownership of the means of production. This principle requires every member of society with labor power to work for society to the best of their ability, while society distributes consumer goods according to the amount of labor each person provides to society. Those with the ability to work but who do not work for society have no right to participate in the distribution of consumer goods. For several thousand years, from slave society and feudal society to capitalist society, exploiters, relying on private ownership of the means of production, appropriated the fruits of the labor of slaves, serfs, and wage laborers without working, living parasitic lives of luxury and debauchery. Implementing "from each according to their ability, to each according to their work" is also implementing the socialist principle that "those who do not work shall not eat." This constitutes a form of economic coercion against the exploiting classes, forcing them to accept transformation by the proletariat and become self-supporting workers. The socialist state implements the socialist principles that "those who do not work shall not eat" and "from each according to their ability, to each

[1] Karl Marx, "Critique of the Gotha Programme."

according to their work," abolishing the distributive system of exploitation; this was a major historical advance.

However, on the other hand, "**the inequality of 'bourgeois laws' which continues to prevail so long as products are divided 'according to the amount of labor performed.'**"[1] Chairman Mao pointed out that distribution according to work "**differ little from those in the old society. The difference is that the system of ownership has changed.**"[2]

Why is it said that distribution according to work is not much different from that in the old society and that bourgeois right still occupies the dominant position?

First, distribution according to work recognizes that the portion of the worker's labor remaining after deducting the labor performed for the social fund is the worker's personal labor. The worker retains rights to the labor they have provided and may use it to participate in the distribution of personal consumer goods. In connection with this, under socialist conditions, the family will continue to exist as a consumption unit for a long period, and part of the costs of the production and reproduction of labor power will still have to be borne by those family members who possess labor power. This shows that distribution according to work has still not escaped the framework of bourgeois private ownership.

In the socialist society, treating unequal abilities to work as a natural privilege by default is an unavoidable phenomenon in the course of historical development. The socialist society emerged from the capitalist society. In the capitalist society, workers who have been deprived of the means of production but have gained personal freedom own only their own labor power. In order to survive, workers have to sell their labor power as a commodity to the capitalists, who then control it. After the proletariat seize political power and establish socialist public ownership of the means of production, workers become the masters of the means of production, beginning a new process in which workers are directly associated with the means of production. Under the systems of public ownership by the whole people and collective ownership economy, under the guidance of the state plan, the labor power of many individuals, no longer controlled by

---

[1] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *The State and Revolution*.

[2] "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *People's Daily*, February 22, 1975.

capitalists, begins to be used directly as the labor power of society or the collective. Thus, workers' labor time also directly becomes part of society's or the collective's total labor day, and labor power is no longer a commodity. However, workers' labor is still divided into two parts: labor performed for the social fund and labor performed for the personal consumption fund; the latter became the measure for distributing personal consumer goods. This situation shows that the right embodied in distribution according to work remains a form of bourgeois right. In the socialist society, the existence of notions such as private ownership of knowledge and wage labor is, on the one hand, a legacy of the old society that cannot be eliminated all at once and, on the other hand, closely connected with the dominance of bourgeois right in the sphere of distribution.

Second, the equal rights embodied in distribution according to work remain rights that are unequal in fact.

Under distribution according to work, the quantity of labor that workers give to society in one form is returned to them in another form. Thus, what remains in force under distribution according to work is the same principle that regulates commodity exchange: a certain quantity of labor in one form can be exchanged for an equal quantity of labor in another form. This exchange principle appears, on the surface, to be equal; every worker's remuneration is measured by the same standard—labor. However, this equal right is inevitably an unequal right for workers who are unequal. First, workers differ in their labor power: some are physically stronger, while others are physically weaker; some have higher levels of cultural and technical knowledge, while others have lower levels. Therefore, the quantity of labor they can provide to society is unequal, which inevitably produces differences in their actual incomes. Second, even when workers of equal ability provide equal amounts of social labor and receive equal amounts of social products, their family burdens are not the same: some have more dependents, while others have fewer, whereas the eight-grade wage system takes no account of whether one has more or fewer dependents. Differences in levels of affluence will therefore also arise among them. Applying the same standard to people whose circumstances differ inevitably produces factual inequality. This right, equal in form but unequal in fact, is bourgeois right.

It can be seen that distribution according to work remains something confined within the framework of bourgeois right. It provides the soil and conditions for the emergence of capitalism

and must be restricted under the dictatorship of the proletariat. If distribution according to work is absolutized and ossified, and bourgeois right and the portion of inequality it brings about are consolidated, expanded, and strengthened, there will inevitably be further occurrences of wide disparities between rich and poor and stratification. A situation will arise in which some members of society, under the guise of distribution according to work, freely appropriate the labor of other members of society, and capitalism and the bourgeoisie will soon emerge on such a basis. In this respect, the Soviet Union has provided us with an important lesson.

On the eve of the October Revolution, Lenin profoundly explained in *The State and Revolution* the view that the implementation of distribution according to work embodies bourgeois right. However, after Lenin's death, particularly beginning in the 1930s, a tendency gradually emerged in the Soviet Union's theoretical circles to depart from Marxism-Leninism on the issue of distribution according to work, denying that distribution according to work embodies bourgeois right.

> In 1933, the Soviet Union published the manuscript of Marx's *Critique of the Gotha Programme*. The Soviet theoretical community held discussions on the issue of bourgeois right that Marx raised in this work. During these discussions, some people believed that anyone who said that bourgeois right existed in a socialist society was an "enemy of the people." They denied that distribution according to work embodied bourgeois right, instead describing it as so-called "socialist right" and refusing to acknowledge that it remained a "defect" inherited from the old society. For example, Mitin stated in an article entitled "The Victory of Socialism in the Soviet Union and Remnants in the New": "Bourgeois right recognizes the means of production as the private property of individuals. Socialism makes them social property; therefore, bourgeois right has been eliminated and no longer exists." Korneyev wrote in a review of Marx's *Critique of the Gotha Programme*: "One cannot understand Marx's principle that the 'narrow horizon of bourgeois right' still exists under socialism and can be completely eliminated only at the higher stage of communism as meaning that bourgeois right is in operation under socialism. … Under socialism, the term bourgeois right, in its true sense, has already been eliminated." Following this discussion, this erroneous understanding of distribution according to work continued to prevail in the Soviet Union.

It was precisely under the guidance of the erroneous theory that denied that distribution according to work embodies bourgeois right that, in the Soviet Union, bourgeois right in the sphere of distribution was gradually expanded from the 1930s onward. For example, wage differentials were gradually widened, and a high-wage system was introduced for some people.

Under the corrosive influence of bourgeois right, some cadres degenerated into a labor aristocracy and new bourgeois elements, becoming the social basis on which the Khrushchev and Brezhnev traitor cliques later restored capitalism in the Soviet Union. The lesson of this history is extremely profound.

Chairman Mao summarized the historical experience of the international communist movement and consistently insisted on restricting bourgeois right under the dictatorship of the proletariat in our country. However, bourgeois right is the lifeline of the bourgeoisie inside and outside the Party. The proletariat seeks to restrict bourgeois right, while the bourgeoisie will inevitably seek to expand it. Liu Shaoqi, Lin Biao, and Deng Xiaoping, representing the bourgeoisie within the Party, are defenders of bourgeois right. Deng Xiaoping even categorically denied that distribution according to work embodies bourgeois right. He said: "Nowadays, everything is described as bourgeois right. It is only right that those who work more should get more—is that also called bourgeois right?" This not only exposed his ignorance but also showed that bourgeois right is the foundation on which the bourgeoisie inside and outside the Party exists and thrives. Deng Xiaoping was the principal representative of the bourgeoisie inside and outside the Party. He sought to protect the interests of those revisionist high officials and to protect bourgeois right, the soil in which capital and the bourgeoisie grow, in the vain attempt to make the tragedy of the restoration of capitalism in the Soviet Union happen again in China. When the proletariat raised the weapon of criticism against bourgeois right, he became extremely angry, feeling that the foundation for the existence of capitalism and the bourgeoisie had been shaken and that the prospects for the restoration of capitalism in China had dimmed; he therefore instinctively leapt out to launch a frenzied attack on the proletariat. Clearly, the struggle between restricting bourgeois right and expanding bourgeois right is extremely fierce; it is the focal point of class struggle and line struggle during the socialist historical stage.

Forms of Distribution in Economy of Socialist Ownership by the Whole People

In a socialist society, determining the specific form in which personal consumer goods are distributed in accordance with the principle "from each according to their ability, to each according to their work" is an important issue. Correctly resolving this issue is highly significant for adhering to the socialist orientation, restricting bourgeois right, promoting the ideological revolutionization of people, making proper arrangements for the people's lives, and inspiring the socialist enthusiasm of the broad masses of working people.

Wages are the basic form of distributing personal consumer goods in the socialist economy under ownership by the whole people at the present stage in our country.

Wages under socialism and wages under capitalism, being based on different forms of ownership, consequently reflect different relations of production.

Under capitalism, labor power is a commodity. Like other commodities, it has value and a price. Wages are the disguised form of the value or price of labor power. The wages workers receive can always only maintain the minimum standard of living for themselves and their families. Marx pointed out: "**The system of wage labor is a system of slavery, and indeed of a slavery which becomes more severe in proportion as the social productive forces of labor develop, whether the worker receives better or worse payment.**"[1] Wages under capitalism embody the relationship of hiring and being hired, exploitation and being exploited, between capitalists and workers.

Under socialism, the working class is the master of the state and enterprises, and labor power is no longer a commodity. Socialist wages are no longer a disguised form of the value or price of labor power; they are a form of the state's distribution of personal consumer goods to workers, reflecting the relationship between individual workers and the state, which represents the interests of the working class as a whole. Moreover, as labor productivity develops, workers' labor will, on the one hand, create an ever-increasing social fund; workers' wage levels, as well

[1] Karl Marx, "Critique of the Gotha Programme."

as overall material and cultural standard of living resulting from the development of collective welfare services, will also gradually improve.

Since liberation, guided by the principles of proceeding from the country's entire population, making overall plans while taking all factors into consideration, and making appropriate arrangements, our country has, in accordance with the socialist principle of "from each according to his ability, to each according to his work," reformed the extremely unreasonable wage system inherited from old China several times. On the basis of developing production, it has also repeatedly increased workers' incomes. At present, although workers' income levels in our country are generally not high, employment opportunities have expanded, the total wage bill has increased, prices have remained stable over the long term, and collective welfare has continued to increase; consequently, workers' actual standard of living have gradually improved. The miserable days of old China, when people could not get enough to eat or keep warm and were constantly threatened by unemployment, are gone forever! However, wages are a very complex issue. Part of our country's current wage system was inherited from old China, while another part was copied wholesale from the Soviet Union in the 1950s. To completely change the unreasonable conditions in distribution and properly handle the various wage relationships, we must gradually raise people's standard of living on the basis of continuously developing production and reform the system step by step in the process of raising people's standard of living.

The specific forms of socialist wages are mainly time-wages and piece-wages. Time-wages use working time as the unit for calculating labor remuneration; that is, within a given period, a fixed wage is paid according to the assessed wage grade. Piece-wages use the products of labor as the unit for calculating labor remuneration; that is, wages are paid according to the number of products completed by the worker, at a specified unit price. In China, these two wage forms underwent a process of development. Before 1958, a considerable number of state-run enterprises in China adopted the piece-wage system. However, piece-wages are not a good system. As the degree of mechanization and automation increased and workers' ideological consciousness continued to improve, particularly during the Great Leap Forward of 1958, the negative effects of the bourgeois right embodied in piece-rate wages became increasingly

apparent, seriously affecting the improvement of interpersonal relations and the development of production: (1) The piece-wage system easily encourages people to be concerned first with their personal income rather than with collective undertakings, and is unfavorable to raising workers' political and ideological consciousness. (2) The piece-wage system widens the disparities in income among workers, and therefore is unfavorable to unity within the working class. It can easily give rise to conflicts between time-wage workers and piece-wage workers, between older and newer workers, between workers in an earlier work procedure and those in a later work procedure, and between workers on one shift and those on the next. (3) The piece-wage system is also unfavorable to carrying out technical innovation and production cooperation and to training workers in mastery of multiple skills, among other things, and is therefore unfavorable to the development of production. Consequently, encouraged by the momentum of the Great Leap Forward, the broad body of workers launched an attack on this aspect of bourgeois right. Finally, in that year, the piece-wage system was abolished in the overwhelming majority of enterprises and replaced by the time-wage system. It is retained only in a small number of units where manual labor predominated.

Under socialism, although the relations of production reflected by wages differ from those reflected by wages under capitalism, the wage category and its specific forms—whether time-wages or piece-wages—are all legacies of capitalist society. Under socialist conditions, wages are no longer the price of labor power, but they are the monetary expression of the value created by the labor that constitutes the portion of the personal consumption fund formed by workers; in obtaining this portion of money, the principle of commodity exchange still generally applies, and formal equality conceals actual inequality. Chairman Mao pointed out: "**Our country at present practices a commodity system, the wage system is unequal, too, as in the eight-grade wage scale, and so forth. Under the dictatorship of the proletariat such things can only be restricted.**"[1] The inequality of the wage system reflects the bourgeois right embodied in distribution according to work; the wage system, including the eight-grade wage system, fixes this actually unequal right in the form of a grading system.

---

[1] "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *People's Daily*, February 22, 1975.

> The eight-grade wage system is a wage grading system implemented among production workers. It classifies wages into eight grades according to the complexity and skill level of various types of production work. However, because different occupations involve different levels of complexity, their highest wage grades also differs. For example, skilled occupations such as lathe operators and fitters could reach the eighth grade, whereas transport workers and other ordinary occupations could reach only the third or fourth grade. The eight-grade wage system emphasizes the motivating effect of wage differentials on workers' enthusiasm. The higher the grade, the greater the difference between grades, and the larger the wage increase for each promotion.
>
> Thus, there is a relatively large gap in wage income between complex labor and simple labor, and between skilled labor and unskilled labor. This clearly reflects bourgeois right. The eight-grade wage system was implemented in Northeast China beginning in 1950 and was gradually extended nationwide after 1952. Over the past twenty-odd years, some adjustments and restrictions have been made to this wage system, but it is still used among some workers today.

Besides wages, during certain periods and under certain conditions in a socialist society, bonuses of a certain amount are also awarded to commend employees who perform relatively well and achieve certain results. This form does not escape the bourgeois framework that "working is done in order to get money" either. Before the Great Proletarian Cultural Revolution, many factories and enterprises, under the influence of Liu Shaoqi's revisionist line, did not promote proletarian politics but were enthusiastic about implementing a bonus system. As Chairman Mao pointed out: "**Not that there were no good people in the leadership of the factories.**" "**But they followed that line of Liu Shaoqi's, just resorting to material incentive, putting profit in command, and instead of promoting proletarian politics, handing out bonuses, and so forth.**"[1] Practice has proved that if one does not uphold putting proletarian politics in command, does not raise the masses' communist consciousness, but is instead enthusiastic about expanding and strengthening bourgeois right, implementing material incentives, scheming over bonuses, and using bonuses as bait to mobilize the masses' enthusiasm for production, this will inevitably corrupt people's thinking, cause disunity among the workers, lead enterprises astray, and make them slide onto the revisionist road.

> In the early period after the establishment of Soviet power, Lenin advocated implementing a bonus system (or in-kind reward system) for a certain period. In the 1919 *Draft Programme of the Russian*

[1] Zhang Chunqiao, "On Exercising All-Round Dictatorship Over the Bourgeoisie," *Hongqi,* no. 4 (1975): 6-7.

Communist Party (Bolsheviks), he stated: "**For a certain period of time, therefore, we must retain the present higher remuneration for specialists in order to give them an incentive to work no worse, and even better, than they have worked before; and with the same object in view we must not reject the system of paying bonuses for the most successful work, particularly organizational work.**"[1] Here, Lenin was referring to implementing a bonus system among bourgeois specialists. Regarding the implementation of a reward system among workers, Lenin stated in his 1920 "Report On The Work Of The Council Of People's Commissars": "**We must remember that the production propaganda which we have firmly decided to launch will be supplemented with a different kind of persuasion, namely, bonuses in kind**"; "**We must reward those who, after suffering tremendous hardships, continue to display heroism on the labor front.**"[2]

However, at the 1921 Tenth National Conference of the Russian Communist Party (Bolsheviks), Lenin explicitly pointed out: "**The decree on bonuses to workers in the form of a part of the goods they produce is, of course, a concession to these sentiments, which have their roots in the past and are engendered by skepticism and despair. Within certain small limits, this concession was necessary.**" How should we understand the necessity of this concession at that time? Lenin said: "**We must not for a moment forget that we have been making a concession that is necessary from no other standpoint but the economic one: the interests of the proletariat. Its basic and most vital interests are bound up with the rehabilitation of large-scale industry as a solid economic foundation. When that is done, it will consolidate its dictatorship, it will be sure to carry its dictatorship to success, in the teeth of all the political and military difficulties. Why, then, were we obliged to make a concession, and why would it be extremely dangerous to give it a wider interpretation than it deserves? It is only because temporary food and fuel difficulties compelled us to take this path.**"[3] This clearly shows that Lenin's advocacy of a reward system at that time had specific historical causes.

At that time, the newly established Soviet power was under threat from imperialist armed intervention and White movement; the domestic economy had suffered severe destruction, industrial output had fallen sharply, agriculture had suffered poor harvests, food and fuel were in extreme shortage, and famine and epidemics were spreading everywhere. The composition of factory workers had changed considerably because large numbers of outstanding workers had gone to the front. It was precisely under such grave circumstances that, in order to increase industry and agriculture production, improve the people's standard of living, strengthen national defense, and safeguard the newly established proletarian power, Lenin proposed implementing a reward system within certain limits as a temporary concession. But

---

[1] Vladimir Ilyich Lenin, "Draft Programme of the R.C.P.(B.)."

[2] Vladimir Ilyich Lenin, "Report On The Work Of The Council Of People's Commissars December 22, Eighth All-Russia Congress of Soviets," in *Lenin's Collected Works*, Vol. 31, (Progress Publishers, Moscow, 1965).

[3] Vladimir Ilyich Lenin, "Tenth All-Russian Conference of the R.C.P.(B.)," in Lenin's Collected Works, Vol. 32, (Progress Publishers, Moscow, 1965).

Lenin emphasized: "**It is the class-consciousness and firmness of the working class that count here**," because this "**is not only a historical factor, it is the decisive, the winning factor.**"[1]

It can thus be seen that modern revisionists, by separating Lenin's statements about implementing a reward system from their specific historical conditions and one-sidedly seizing upon them as the basis for putting bonus in command, are completely mistaken and fundamentally violate Lenin's consistent teachings. Their purpose is clear: they seek to turn bonuses into a means of corroding the working masses and dismantling the socialist economic base.

Forms of Distribution in Socialist Collective-Ownership Economy

In the economy under socialist collective ownership by the working people, the distribution of personal consumer goods, like that in the economy under socialist ownership by the whole people, must follow the socialist principle of distribution. However, collective ownership also has distinctive features with regard to the distribution of consumer goods.

In China's rural people's communes under collective ownership, the basic means of production and products belongs to each collective. Apart from paying taxes to the state, each collective distributes all its remaining income independently. The level of commune members' labor remuneration depends on the levels of production and net income of the collectives to which they belongs. This is clearly different from the situation in state-run enterprises, where wage standards are set uniformly by the state.

The production teams of China's rural people's communes differ in their levels of labor productivity and net income, and consequently their levels of labor remuneration also vary. Given the current level of development of China's agricultural productive forces and the level of consciousness of the broad masses of commune members, it is inevitable that differences in labor remuneration must be recognized among communes, among brigades, and among production teams.

In a production team, the year's total income, after deducting state taxation, an appropriate accumulation fund, and the public welfare fund used for social insurance and

[1] Vladimir Ilyich Lenin, "Report Of The Central Committee, Ninth Congress of the R.C.P.(B.)," in *Lenin's Collected Works*, Vol. 30, (Progress Publishers, Moscow, 1965).

collective welfare services, is distributed among commune members according to the principle of "from each according to their ability, to each according to their work."

At present, in China's rural people's communes, the distribution of personal consumer goods is generally carried out in the form of labor work points through work assessment and point recording, except that some enterprises operated by communes and brigades, whose incomes are relatively stable, use a wage system.

> There are mainly two methods of work assessment and point recording. One is to first classify each commune member into a grade according to their labor power and work attitude, and then determine the work points for each workday according to the grade, commonly known as "base work points." After a commune member reports for work, their work points are assessed on the basis of the "base work points," with reference to the specific circumstances of their labor. At present, most production teams in China adopt this method. The other method is to record only each commune member's attendance time every day, and to conduct work assessment once every quarter, half-year, or year. During the assessment, one model worker is first established for each grade used to determine work points. Each person then compares themselves with the model workers and reports which grade they believe they belong to, after which the group discusses and determines the result. This method was developed by the Dazhai Brigade. It embodies a certain restriction on bourgeois right and helps cultivate commune members' communist work attitude. At present, many production teams in China have adopted this method in accordance with their own actual circumstances. In addition, some production teams also use labor-quota-based point recording for certain farm tasks. Recording points according to labor quotas means establishing labor quotas for various farm tasks and then determining the work-point standards for the quotas according to the technical requirements, labor intensity, importance in production, and seasonal differences of the various tasks. Once commune members complete the required quantity and quality of a labor quota and pass acceptance inspection, the labor work points they should receive can be calculated according to the quota's work-point standard. Practice has shown that, like the piece-rate wage system in the economy under ownership by the whole people, this method of recording points according to labor quotas involves bourgeois right to a more serious degree. It is more likely to widen differences in commune members' incomes and is unfavorable to unity among commune members.

Work points are a measure of the labor expended by commune members in the production team, and at the same time a measure for the distribution of personal consumer goods. The amount of income a commune member receives from the production team depends not only on the number of work points earned, but also on the monetary value of each work point (the value of work-point). The monetary value of each work point is not set in advance; rather, it

is determined according to the production team's total annual income. Once the work-point value has been determined at the end of the year, commune members participate, in proportion to their work points, in the production team's distribution of personal consumer goods in a combination of monetary and physical forms.

The commune members' work assessment and point recording should take the Dazhai Brigade as a model. It should both uphold putting proletarian politics in command, constantly raise the commune members' consciousness of farming for the revolution, and oppose "putting work points in command" and haggling over personal gains and losses; and reflect the principle of "from each according to their ability, to each according to their work," recognizing appropriate differences in accordance with the commune members' labor.

"**The principle of equal pay for equal work for men and women must be enforced.**"[1] Equal pay for equal work regardless of gender is an inseparable part of implementing the principle of "from each according to their ability, to each according to their work." It is highly important for achieving economic equality between genders, mobilizing the broad masses of women to participate enthusiastically in collective production labor, and consolidating and developing the collective economy. The uncritical practice of "a man receives ten points for one unit of work, while a woman may receive no more than eight" violates the socialist distribution principle. This reflects the feudal ideology of sexism in the realm of distribution.

[1] Mao Zedong, "Editor's Notes From Socialist Upsurge in China's Countryside," 269.

Section Three: The Bourgeois Right in Distribution Must Be Restricted

Criticizing Bourgeois Right Ideology and Advocating a Communist Work Attitude

When socialist states distribute personal consumer goods and select methods of labor remuneration that conform to socialist principles, they must uphold the principle of putting proletarian politics in command, criticize bourgeois right ideology, and promote a communist work attitude.

What is communist labor? Lenin said: "**Communist labor in the narrower and stricter sense of the term is labor performed gratis for the benefit of society, labor performed not as a definite duty, not for the purpose of obtaining a right to certain products, not according to previously established and legally fixed quotas, but voluntary labor, irrespective of quotas; it is labor performed without expectation of reward, without reward as a condition.**"[1] This communist labor begins to emerge when the proletariat becomes the master of the state and enterprises, ceases doing hard labor for the exploiting classes, and begins working for its own class.

The emergence of communist labor in socialist society is an event of great significance in the history of human development. It is an extremely important condition for completely destroying the old world and building a new communist world.

After the October Revolution, the working class of the Soviet Union, in order to defend Soviet power and build socialism, actively responded to the call issued by the Central Committee of the Bolshevik Party, headed by Lenin, to "work in the revolutionary spirit," launching a vigorous movement of unpaid "Communist Subbotniks." Lenin spoke highly of this movement and promoted it with great enthusiasm. Lenin regarded the Communist Subbotniks as a "**great beginning**" of the working class. He pointed out: "**The communist subbotniks organized by the workers on their own initiative are really of enormous significance. Evidently, this is**

[1] Vladimir Ilyich Lenin, "From the Destruction of the Old Social System To the Creation of the New," in *Lenin's Collected Works*, Vol. 30.

only a beginning, but it is a beginning of exceptionally great importance. It is the beginning of a revolution that is more difficult, more tangible, more radical and more decisive than the overthrow of the bourgeoisie, for it is a victory over our own conservatism, indiscipline, petty-bourgeois egoism, a victory over the habits left as a heritage to the worker and peasant by accursed capitalism. Only when this victory is consolidated will the new social discipline, socialist discipline, be created; then and only then will a reversion to capitalism become impossible, will communism become really invincible."[1] Lenin also vigorously called upon "**Every Communist, therefore, everyone who wants to be true to the principles of communism should devote all his attention and all his efforts to the explanation of this phenomenon and to its practical implementation.**"[2]

Chairman Mao consistently advocated the communist attitude toward labor and repeatedly called on us to learn from Comrade Bethune's spirit of having no selfish or self-serving motives,[3] and from Comrade Zhang Side's spirit of serving the people completely and wholeheartedly.[4] He required us to "**maintain that same drive, that same revolutionary enthusiasm, and that same spirit of fighting to the death that we had during the years of revolutionary war, and carry the revolutionary work through to the end.**"[5] During the years of revolutionary war, our revolutionary forebears, for the cause of proletarian liberation, had neither wages nor benefits; each person received only five fen[6] a day for oil, salt, firewood, and vegetables. Under extremely difficult conditions, they fought against imperialism, feudalism, and bureaucratic capitalism, working with great dedication and fighting with great courage. The revolutionary forebears defeated the reactionaries and established New China through this communist spirit. Nurtured by Mao Zedong Thought, during the protracted revolutionary wars and in the great cause of the socialist revolution and socialist construction, our country produced

---

[1] Vladimir Ilyich Lenin, "A Great Beginning."

[2] Vladimir Ilyich Lenin, "Report On Subbotniks," in *Lenin's Collected Work*, Vol. 30.

[3] Note from translator: See "In Memory of Norman Bethune."

[4] Note from translator: See "Serve the People."

[5] "Highest Directive," *Hongqi*, no. 2 (1975): 4.

[6] Note from translator: Fen is a unit of currency, which is equal to 1/100 of a yuan.

tens of millions of proletarian fighters loyal to the great communist cause. Comrades Zhang Side, Lei Feng, Jiao Yulu, Yang Shuicai, Wang Jinxi, and countless others are outstanding representatives of the proletarian fighters. Their spirit—seeking neither fame nor profit, fearing neither hardship nor death, devoting themselves entirely to the revolution and the people, showing boundless loyalty to the revolution, and exhausting themselves in service to the people—will forever radiate the light of communism and forever inspire us to advance courageously along the broad road of continued revolution!

Establishing a communist attitude toward labor requires "**the most radical rupture with traditional property relations**," "**the most radical rupture with traditional ideas,**"[1] and the most thoroughgoing break with bourgeois right ideology.

Bourgeois right ideology is the reflection of bourgeois right in ideological form. People influenced by bourgeois right ideology either treat the labor skills and scientific and cultural knowledge they have acquired through the cultivation of the Party and the people as "capital" with which to bargain with the Party and the people and compete for fame and profit, or adopt the wage-labor attitude of "working according to the pay" and "doing as much work as they are paid for." This attitude is precisely the kind of "**this narrow horizon [of] calculate with the heartlessness of a Shylock whether one has not worked half an hour more than anybody else**" that Lenin sharply criticized.[2] Unless we make the most thorough break with this bourgeois right ideology and deeply criticize the capitalist morality of working only for money, a communist work attitude cannot be established; socialist revolution and socialist construction will be obstructed, and communism cannot be achieved. Therefore, we should expand propaganda and education in communist ideology so that more and more comrades become models who do more work without counting the remuneration.

The process of cultivating and establishing a communist work attitude is a process of struggle between two classes, two lines, and two kinds of ideology. Revisionists always use material incentives to erode the communist spirit of the working people. The Brezhnev clique

---

[1] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists," in *Manifesto of the Communist Party.*

[2] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *The State and Revolution*.

vigorously promoted “material incentives,” proclaiming that “greater quantity of labor, better quality of labor—that is, more skilled, more intense, more important, or more responsible work—must be stimulated with higher remuneration.” They clamored that material incentives are the “most important lever” for raising labor productivity, that “expenditures on material incentives can yield a hundredfold return,” and so on.

The swindlers Liu Shaoqi, Lin Biao, and Deng Xiaoping sang the same tune. In his black notebook, Lin Biao personally wrote such sinister phrases as “material incentives are still necessary,” “materialism—material incentives,” and “induce them with office, emolument, and virtue.” Even before the Great Proletarian Cultural Revolution, Deng Xiaoping actively joined Liu Shaoqi in implementing the revisionist line of material incentives and bonus orientation, absurdly claiming, “Our revolution depended entirely on material incentives,” and “After socialism is built, we will rely on material incentives to advance toward communism.” These fallacies of Deng Xiaoping’s have been severely criticized by the revolutionary masses during the Great Proletarian Cultural Revolution. However, shortly after he returned to work, he sought to reverse the verdict, clamoring that “so-called material encouragement was not used much in the past”; moreover, in his so-called “Regulations” for accelerating industrial development, he once again brought back the whole business of material incentives.

In fact, whether Brezhnev or Liu Shaoqi, Lin Biao, and Deng Xiaoping, their frenzied promotion of material incentives was an attempt to use wages, bonuses, and benefits as bait to induce people to become the social foundation for their restoration of capitalism, and to use bourgeois right ideology as a reactionary ideological weapon for corrupting the working people, expanding and strengthening bourgeois right in the sphere of distribution, and cultivating new bourgeois elements. Therefore, we must act in the opposite way, uphold putting proletarian politics in command, deepen our criticism of material incentives, and fully recognize the struggle between the two classes and the two lines on the question of distribution.

The theory of material incentives advocated by the modern revisionists is nothing new. Keynes, the reactionary bourgeois economist of the United Kingdom, stated bluntly: “In economic activity, the only thing people consider is personal remuneration; no one, whether an entrepreneur or a civil servant, will do anything for any other reason.” (*The General Theory of*

Employment, Interest and Money)[1] Another bourgeois economist, Little, also said: "personal gain is surely the only possible effective motive force for a free economy, whatever some idealists may think." (*A Critique of Welfare Economics*)[2] Just look: how does the modern revisionists' theory of material incentives differ from this bourgeois theory of self-interest?

The revolutionary leaders of the proletariat, Marx and Engels, wrote the following passage in *Manifesto of the Communist Party* when describing capitalist relations of production: the bourgeoisie "**has left remaining no other nexus between man and man than naked self-interest, than callous 'cash payment.'**"[3] If we look back and compare this with the fallacy that "money can make the devil himself turn," can we not clearly see the ugly faces of figures such as Brezhnev, Liu Shaoqi, Lin Biao, and Deng Xiaoping who sought to restore capitalism?

In a socialist society, most working people work diligently and faithfully fulfill their obligations to society. However, there will inevitably be some people who do not work very hard and whose enthusiasm for social labor is not sufficiently high. This raises a question: under socialism, what should be relied upon to enable the broad masses of working people to contribute to society to the fullest extent of their abilities and to mobilize their socialist enthusiasm? Should we uphold putting proletarian politics in command and strengthen ideological education, or rely on monetary incentives and put money in command? This is a major question concerning the direction in which the working people should be guided, and a major question of which path to take.

Marxists have always held that politics is the commander and the soul. Only by putting proletarian politics in command, doing a good job of ideological and political work, continually instilling socialist and communist ideas in the broad masses, criticizing capitalist tendencies and bourgeois legal-right ideas, and helping the broad masses firmly establish a communist work attitude, can we fully arouse the socialist enthusiasm of the masses and continue to achieve victories in the socialist revolution and socialist construction. Lenin put it well: "**Either**

---

[1] Note from translator: I cannot locate this sentence in *The General Theory of Employment, Interest and Money*. It is likely that the quote is wrongly attributed and actually from a different work of Keynes. However, it is evident that this is indeed the assumption of Keynes, and nearly all economists in the bourgeois academia.

[2] Ian Little, *A Critique of Welfare Economics*, (Oxford University Press, 2002), 262.

[3] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party.*

organized proletarian power—and the advanced workers and a small section of the advanced peasants will understand this and succeed in organizing a popular movement around themselves—in which case we shall be victorious; or we fail to do this."[1] Educating the working masses with Marxism is an extremely meticulous task; it is work that must be carried on over the long term and requires considerable effort. The enthusiasm aroused in this way is genuinely socialist and communist, and is firm and lasting. Of course, material incentives can sometimes stimulate the enthusiasm of some people. However, the enthusiasm brought out by material incentives will never be socialist enthusiasm; it can only be the enthusiasm of bourgeois individualism, the enthusiasm for competing for fame and profit, and the enthusiasm for taking the capitalist road. If matters are handled according to the line advocated by modern revisionists and people such as Liu Shaoqi, Lin Biao, and Deng Xiaoping, bourgeois ideology will inevitably run rampant, and large numbers of new bourgeoisie elements will inevitably emerge. This will not only fail to promote the development of socialist production but will inevitably lead to the restoration of capitalism.

Some people ask: Isn't the socialist principle of distribution distribution according to work? Why, then, should we advocate a communist work attitude that does not count remuneration? Those who hold this doubt have obviously set the Party's policy principles during the socialist historical stage against the Party's communist education. Chairman Mao taught us during the period of China's democratic revolution: "**We must keep the spreading of communist ideas and propaganda about the Communist social system distinct from the practical application of the new-democratic programme of action.**" "**Spread communist ideas more widely and put more energy into the study of Marxism-Leninism, or otherwise we shall not only be unable to lead the Chinese revolution forward to the future stage of socialism, but shall also be unable to guide the present democratic revolution to victory.**"[2] Applying these teachings of Chairman Mao to socialist society means that we must both expand the propaganda of communist ideas to guide socialist practice and distinguish such propaganda

---

[1] Vladimir Ilyich Lenin, "The New Economic Policy And The Tasks Of The Political Education Departments," in *Lenin's Collected Works*, Vol. 33.

[2] Mao Zedong, "On New Democracy," in *Selected Works of Mao Zedong*, Vol. II, 379-380.

from the policies implemented in socialist society. In brief, this means: socialism plus communist ideas. As manifested in the distribution of personal consumer goods, we must both implement "distribution according to work" and restrict the bourgeois right embodied in distribution according to work. In ideological and political education, however, we must not limit ourselves to education in socialist policies; we must also criticize bourgeois right ideology, vigorously advocate a communist work attitude, and promote the communist spirit. Otherwise, we will not only fail to create the conditions for realizing distribution according to need under communism in the future, but also fail to carry out the current socialist work of distribution according to work.

The socialist principle of "from each according to their ability, to each according to their work" must be understood comprehensively; "from each according to their ability" must not be separated from "distribution according to work." This principle first requires each person to contribute according to their ability, that is, it requires every worker to use their abilities to work for society. This calls for long-term, meticulous ideological and political work among the working people, so that workers make the most thorough break with the employment concepts left over from the old society, continually raise their consciousness of working for the revolution, and consciously and persistently use their abilities to work for society. Therefore, it is wrong to set communist ideological education against the implementation of the socialist distribution principle. To disregard "from each according to their ability" and emphasize only "distribution according to work" one-sidedly is a distortion of the socialist distribution principle.

Recognize Differences, But Oppose Excessive Disparities

Under the socialist principle of "from each according to their ability, to each according to their work," it is necessary to retain certain differences in labor remuneration. However, Marxism holds that these differences embody bourgeois right and must be restricted under the dictatorship of the proletariat; they must never be allowed to expand without limit and create huge disparities in people's incomes.

When summarizing the experience of the world's first proletarian regime—the Paris Commune—Marx particularly praised the principle adopted by the Commune's heroes: "**From the members of the Commune downwards, the public service had to be done at workman's wage,**"[1] regarding it as one of the Commune's great innovations. Engels and Lenin both attached great importance to the Paris Commune distribution principle and repeatedly emphasized this experience. After the victory of the October Revolution in Russia, under Lenin's leadership, Soviet power adopted a series of measures to restrict bourgeois right in matters of distribution.

These measures mainly include:

(1) Reduce high salaries, stipulating that Party members may not receive high salaries or enjoy special privileges.

Soviet power announced from the outset that it would pursue a policy of reducing high salaries to the level of average workers' wages. In November 1917, it stipulated that the maximum monthly salary of a people's commissar could not exceed five hundred rubles, which was comparable to the monthly salary of skilled workers, between four hundred and five hundred rubles. In early 1919, it stipulated that the maximum monthly salary of a people's commissar was two thousand rubles, which was less than two times the maximum wage of a worker, 1,160 rubles.

In September 1920, the Ninth Conference of the Russian Communist Party (Bolsheviks) stipulated that "Party members serving as responsible officials had no right to receive special personal salaries, bonuses, or additional remuneration."

Regarding bourgeois specialists, Lenin, in light of the conditions at the time, advocated temporarily paying them high salaries. However, Lenin pointed out: "**This measure is a compromise, a departure from the principles of the Paris Commune and of every proletarian power.**"[2] In adopting this measure, Lenin repeatedly reminded people of the corrupting effects of such high wages.

(2) Narrow the wage-grade gap among working people.

After the October Revolution, Lenin repeatedly emphasized that salary and wage levels in all regions and sectors across the country should gradually be brought closer to parity. In January 1919, the

---

[1] Karl Marx, "The Paris Commune," in *The Civil War in France.* The Paris Commune made the following reforms to the wage system:
1. Abolition of the high salaries and all economic privileges of officials of the old state. The maximum annual salary for employees of municipalities was set at 6,000 francs, equivalent to the income of a skilled worker. It was also stipulated that no additional remuneration would be granted for holding multiple positions.
2. Increase in the wages of lower-level employees and workers, greatly narrowing the gap between the highest and lowest wages. In the postal service, for example, the difference between the lowest wage (that of a mail carrier) and the highest wage (that of the director) had originally been more than tenfold. After the reforms, this disparity was reduced to between three- and fourfold.

[2] Vladimir Ilyich Lenin, "The Immediate Tasks of the Soviet Government."

ratio between the lowest and highest wages in the workers' wage scale was 1:1.75; in April 1920, it was 1:2, and in some departments, 1:2.8.

Chairman Mao consistently advocated carrying forward the Party's glorious tradition of maintaining close ties with the people and sharing both hardships and joys with them, as well as its fine style of hard struggle, and opposed implementing a high-wage system for a small number of people.

During the years of revolutionary war, Chairman Mao pointed out: "**The distribution of material things in the Red Army must be more or less equal**," "**but absolute equalitarianism beyond reason must be opposed.**"[1] Following Chairman Mao's instructions, from the Second Revolutionary Civil War period through the early days after national liberation, our Party consistently implemented a broadly egalitarian supply system for staff of Party and government organs and within the armed forces. Chairman Mao consistently maintained that during the socialist revolution and socialist construction, a high-wage system for a small number of people must never be introduced. The gap in personal income between the staff of the Party, the state, enterprises, and people's communes and the people should be gradually and reasonably narrowed, not widened. All staff must be prevented from using their authority to enjoy any privileges. Following Chairman Mao's teachings, our country has several times reduced the salaries of senior officials and repeatedly raised the wages of workers at lower grades, thereby strengthening relations between the Party and the masses and further mobilizing the enthusiasm of the broad working people.

In socialist society, if bourgeois right is expanded rather than restricted in distribution, and if a high-wage system is implemented for a small number of people, these few will occupy a privileged position of vested interests. They will then easily become detached from the masses and from the revolution, and may even oppose continued revolution. As Chairman Mao taught: "**After the democratic revolution, the workers and poor and lower-middle peasants did not stop; they wanted to make revolution. Yet some Party members no longer wanted to advance; some people retreated and opposed the revolution. Why? They have become high**

[1] Mao Zedong, "On Correcting Mistaken Ideas in the Party," in *Selected Works of Mao Zedong*, Vol. I, 111.

officials and want to protect the interests of the high officials."[1] These high-ranking officials had good houses, automobiles, high salaries, and servants, and they resented criticism of bourgeois right. In socialist society, if bourgeois right is expanded rather than restricted in distribution, this will inevitably in turn affect the consolidation of socialist public ownership.

Historically, the phenomenon whereby expanding differences in distribution, under certain conditions, led to the disintegration of a public-ownership economy has occurred before. The disintegration of the primitive commune was such a case. Engels pointed out: "**Where considerable inequality of distribution among the members of the community sets in, this is an indication that the community is already beginning to break up.**" "**With the differences in distribution, class differences emerge.**"[2] The disintegration of the Soviet Union's socialist public-ownership economy was likewise connected with a small number of people acquiring ever greater quantities of commodities and money through various legal and extensive illegal means in the sphere of distribution. Today, members of the Soviet bureaucratic monopoly bourgeoisie, headed by Brezhnev, receive high wages, high bonuses, high fees for written work, and various personal allowances. They suck the blood of the workers and peasants, with incomes dozens or even hundreds of times higher than those of ordinary workers and peasants. The means of production originally held by the working people have become capital through which these people exploit the working people, while distribution according to work has become merely a shell for their distribution according to capital and power.

> It is reported that in Soviet state-owned enterprises, workers' monthly wages are currently generally around one hundred rubles, while unskilled odd-job workers receive only sixty rubles. The basic salaries of managers, plant managers, chief engineers, and others range from three hundred to five hundred rubles; with part-time wages, additional pay, and bonuses, they can even exceed one thousand rubles. The same is true on collective farms: field workers earn only around forty rubles per month, whereas ordinary collective farm chairmen receive monthly remuneration of 250 to 300 rubles. Some earn as much as 580 rubles, and with bonuses and extra income, their earnings can even reach more than one thousand rubles.
>
> As for the wages of the largest handful of the monopoly bourgeoisie and spiritual aristocracy in the country, they are even higher. In party and government bodies, ministerial salaries range from 700 or

[1] "The Cultural Revolution Shall Shine Forever—Commemorating the Tenth Anniversary of the May 16, 1966 'Notification' of the Central Committee of the Communist Party of China," *People's Daily*, May 16, 1976.

[2] Friedrich Engels, "I. Subject Matter and Method," in *Anti-Dühring*.

800 rubles to 2,000 rubles. In the military, a corps commander earns 1,000 rubles, an army group commander 1,400 rubles, and a front commander 1,800 rubles. In addition to their salaries, they receive extra pay and subsidies and enjoy various privileges. In the fields of education, culture, and science and technology, institute directors earn 1,000 to more than 1,500 rubles, in addition to substantial other remuneration, such as allowances for nominal positions, manuscript fees, and other legal and illegal income.

The vast gap in income between the privileged class of the Soviet bourgeoisie and ordinary workers cannot be concealed by sophistry about "complex labor" and "simple labor"; rather, it is an expression of extremely brutal class exploitation. Lenin pointed out: "**What are classes in general? Classes are that which permits one section of society to appropriate the labor of another section.**"[1] In today's Soviet Union, the essence of the distribution system is that the bureaucratic monopoly bourgeoisie appropriates the labor of the broad masses of working people. The higher one's position, the greater one's power, and the more capital one controls, the more of other people's labor one appropriates.

The historical lessons of the restoration of capitalism in the Soviet Union tell us that a socialist state must correctly implement the socialist principle of distributing personal consumer goods, gradually restrict bourgeois right in distribution, promote the consolidation of socialist public ownership, and ensure that the Party and state of the proletariat never change their political character. In this regard, we must acknowledge certain differences in the distribution of personal consumer goods, but must place even greater restrictions on bourgeois right, limit the expansion of income disparities, and prevent capitalist exploitation from being carried out in practice under the name of distribution according to work.

Restricting the bourgeois right in the distribution according to work and preventing the expansion of income disparities specifically requires correctly handling the following relations:

First, the distribution relations between cadres and the masses. In socialist society, the workers and peasant laboring masses control the means of production and are the masters of the state and enterprises, while "**all our cadres engaged in work, regardless of the level of their**

[1] Vladimir Ilyich Lenin, "The Tasks of the Youth Leagues," in *Lenin's Collected Works*, Vol. 31.

positions, are servants of the people."[1] Cadres should closely integrate themselves with the people, genuinely represent the interests of the people, and serve them wholeheartedly. Clearly, a wide disparity between cadres and the masses in distribution is incompatible with these socialist relations; it will inevitably lead to antagonism in relations between cadres and the masses.

Therefore, when handling the issue of cadres' wages, socialist states should follow the longstanding teachings of the revolutionary leaders, pay attention to implementing the distribution principle of the Paris Commune, gradually narrow the gap in personal income between staff members of the Party, the state, enterprises, and people's communes and the broad masses of the people, and prevent all staff members from using their authority to enjoy any privileges. This is of great significance for enabling them to maintain close ties with the masses, resist the erosion of bourgeois ideology, prevent the "**transformation of the state and the organs of the state from servants of society into masters of society,**"[2] and prevent the emergence of a privileged class that appropriates the labor of others.

Second, the distribution relations between intellectuals and workers and peasants. During a certain period in socialist society, in order to unite and transform the bourgeois intellectuals who have come from the old society and enable them to work for the socialist state, the proletariat allows them to retain the relatively high wages they had historically acquired. However, this is a form of compensation and a temporary policy measure, and should not become a principle of distribution. Engels said: "**In a society of private producers, private individuals or their families pay the costs of training the qualified worker; hence the higher price paid for qualified labor-power accrues first of all to private individuals: the skillful slave is sold for a higher price, and the skillful wage-earner is paid higher wages. In a socialistically organized society, these costs are borne by society, and to it therefore belong the fruits, the greater values produced by compound labor.**"[3]

At present in our country, part of the cost of educating intellectuals is already borne by society, and with the development of the socialist revolution and construction, the proportion of

---

[1] *Liberation Daily* (Yan'an), December 16, 1944.

[2] Frederick Engels,"PostScript," in *The Civil War in France.*

[3] Friedrich Engels, "VI. Simple and Compound Labour," in *Anti-Dühring.*

these costs borne by society will become increasingly large. Therefore, under socialist conditions, although it is somewhat unavoidable that the wage level of educated intellectuals is higher than that of workers and peasant, anyone who seeks to receive an excessively high wage on this basis has no justification whatsoever.

Third, the distribution relations between workers and peasants. The worker-peasant alliance is the foundation, and in our country peasants also constitute the majority of the population, it is therefore extremely important to handle the distribution relations between workers and peasants properly. When determining workers' wage standards and the extent of wage increases, it is necessary simultaneously to consider the relationship between employees' wage income and peasants' actual income. Workers and peasants labor under two different forms of socialist public ownership, and certain differences exist between them in production technology and labor productivity; these objectively existing differences will inevitably create a certain gap between their income levels. However, this gap must be gradually narrowed; otherwise, it will affect the consolidation of the worker-peasant alliance and hinder the implementation of the policy of "agriculture as the foundation."

Fourth, distribution relations among workers. Workers' labor differs in terms of technical skill, proficiency, and labor intensity; therefore, when determining wage standards, reasonable differences should be reflected, while excessively large differences should be opposed in order to promote unity among workers. The wage system, with its numerous categories and wide pay gaps, should be gradually reformed.

Fifth, distribution relations among the peasants. When handling distribution relations among the peasants, it is also necessary to select appropriate work assessment and point recording methods in accordance with the characteristics of the rural distribution system, and to adopt suitable measures to prevent the widening of income disparities through distribution. The experience of some people's communes shows that it is necessary to support poor production teams in carrying out the revolution and increasing production, and to provide appropriate consideration in work assignments for those commune members' families with few able-bodied workers, so as to help narrow distributional differences.

In our country, how to properly handle the distribution of income among personnel in commune- and brigade-run industries of rural people's communes is also an important issue. If this is handled poorly, creating an excessively large gap in personal income between commune members working in industry and those working in agriculture within the people's commune, then, in addition to the difference between workers and peasants inherited from the old society, a new "worker–peasant" difference would be created among the peasants themselves, thereby undermining the production enthusiasm of commune members working in agriculture. Therefore, when determining the income level of commune members working in industry in commune- and brigade-run industries, it should be kept roughly close to the income level of commune members working in agriculture in the respective commune or brigade.

> There are three forms of labor remuneration in the commune- and team-run industries of Shanghai County, Shanghai Municipality:
>
> (1) Wage system. Before 1970, commune members who entered commune-run factories to work generally follow a fixed wage system; in 1974, the average income of these commune members working away from agriculture (including meal subsidies) was 53% higher than that of commune members engaged in agriculture.
>
> (2) Work assessment and point recording system. In order to narrow the income gap between commune members working away from agriculture and those engaged in agriculture, commune members who entered commune-run factories in 1970 or thereafter mostly follow a work assessment and point recording system: they receive remuneration in commune-run enterprises according to the average work-point value for the entire commune. In 1974, the average annual income per person of these commune members working away from agriculture (including meal subsidies) was 39% higher than the average income of commune members engaged in agriculture throughout the county; thus, the income gap was smaller than before. Factories run by production teams have also mostly adopted this distribution method.
>
> (3) Return-to-team distribution system. In commune- and team-run industries that have adopted this distribution method, the labor remuneration of commune members working away from agriculture is transferred to their affiliated production teams as collective sideline income. Apart from receiving a certain subsidy, these working commune members participate in the distribution of their production teams in the same way as commune members engage in agriculture.

When handling the various relationships involved in the distribution of personal consumer goods, we should oppose excessive disparities and overly great differences, while at the same time opposing absolute egalitarianism. Chairman Mao pointed out clearly more than

forty years ago: "**Absolute equalitarianism is a mere illusion of peasants and small proprietors, and that even under socialism there can be no absolute equality, for material things will then be distributed on the principle of "from each according to his ability, to each according to his work" as well as on that of meeting the needs of the work.**"[1] Distributing personal consumer goods absolutely equally is neither the socialist distribution principle nor the communist distribution principle, but merely an unrealistic fantasy.

Create the Conditions to Gradually Expand the Factors of Distribution According To Need

In socialist society, the distribution of personal consumer goods must follow the principle of "from each according to his ability, to each according to his work," but this absolutely does not mean that the principle of distribution according to work, which embodies bourgeois right, may be absolutized and ossified. When commenting in 1890 on the debate within the German party at that time concerning the mode of distribution, Engels said: "**But everyone who took part in the discussion, 'socialist society' appeared not as something undergoing continuous change and progress but as a stable affair fixed once for all, which must, therefore, have a method of distribution fixed once for all. All one can reasonably do, however, is 1) to try and discover the method of distribution to be used at the beginning, and 2) to try and find the general tendency of the further development. But about this I do not find a single word in the whole debate.**"[2] The general direction along which the mode of distribution of consumer goods in socialist society will further develop is the communist principle of "from each according to his ability, to each according to his needs." Therefore, while correctly implementing the principle of distribution according to work and restricting bourgeois right in the sphere of distribution, we must strive to gradually expand the elements of communist distribution according to need and ultimately eliminate bourgeois right in the sphere of distribution.

---

[1] Mao Zedong, "On Correcting Mistaken Ideas in the Party," in *Selected Works of Mao Zedong*, Vol. I, 111.

[2] Friedrich Engels, "Engels to Conrad Schmidt In Berlin," in *Marx and Engels Correspondence.*

The communist principle of "from each according to his ability, to each according to his needs" abolishes labor as the standard for distributing consumer goods, completely rejects the natural privilege of obtaining more consumer goods by virtue of superior personal physical and intellectual conditions, eliminates differences in people's level of material affluence, and "**advancing further from formal equality to actual equality.**"[1] In a word, it completely abolishes bourgeois right in the sphere of distribution. This is the principle implemented by communist society in the distribution of consumer goods.

The incorrigible Capitalist-roader Deng Xiaoping, who neither reads books nor newspapers and knows nothing of Marxism-Leninism, actually presumed to prattle about communist distribution as well. He said: "When communism arrives, what work will be the most important? Looking after children will be the most important; the treatment of nursery-school teachers should be higher than that of university professors." Does this not mean that, with the advent of communism, unequal bourgeois right will still exist in the sphere of distribution? This is truly identical to Dühring's retaining such old divisions of labor as "wheelbarrow pushers" and "architects" in his "economic commune."

"From each according to his ability, to each according to his needs" is the principle implemented in communist society, but the beginnings of distribution according to need have already appeared in socialist society. Today, the public welfare services provided by socialist states—including labor insurance for employees, a state-funded medical care system, and a retirement system for elderly employees, as well as subsidies and assistance provided by the state or collectives to people who have lost their labor power or whose lives are especially difficult because of excessive family burdens—already contain, to varying degrees, elements of communist distribution according to need. In 1973, health and welfare expenditure within the sphere of national ownership in our country accounted for 18% of the total national wage bill. Although this proportion is still not large, it has, to a certain extent, gone beyond the narrow framework of bourgeois right and reflects the general direction of the development of the socialist method of distributing consumer goods. Marx once said that under socialism, "**that**

---

[1] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *The State and Revolution*.

which is intended for the common satisfaction of needs, such as schools, health services, etc. … [will grow] in proportion as the new society develops."[1] In order to develop collective welfare services and expand the elements of distribution according to need, when increasing personal incomes, the state or collectives must take into account increases in the collective welfare fund, combine the two, and, as the socialist revolution deepens and socialist construction develops, gradually raise the proportion of the collective welfare fund.

The Great Proletarian Cultural Revolution, the Criticize Lin, Criticize Confucius Movement, and the Criticize Deng, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend are an extremely profound socialist revolution in the realm of the superstructure. In these magnificent revolutionary mass movements, a large number of socialist new things have emerged: large numbers of cadres entering May Seventh Cadre Schools and participating in collective production labor; the growing and expanding theoretical ranks of workers, peasants, and soldiers; Up to the Mountains and Down to the Countryside movement for the educated youth; workers, peasants, and soldiers attending universities and educational revolution; and the vigorous development of barefoot doctors and cooperative medical care, among others. These socialist new things, which contain embryonic communist elements, challenge the old social division of labor from every angle, continually narrow the three major differences, and restrict bourgeois right. They also create favorable conditions for reform in the sphere of distribution.

In the educational revolution, the workers, peasants, and soldiers students at Liaoning Chaoyang Agricultural College and at the July 21 Workers' University, pioneered by Shanghai Machine Tool Plant, all come from production practice and will return to production practice after graduation. They treat themselves as equals of workers and poor and lower-middle peasants, and maintain a standard of living roughly comparable to theirs. This revolution in the educational sphere not only greatly benefits the cultivation of successors to the proletarian revolutionary cause, but also creates conditions for narrowing the gap in labor remuneration between physical laborers and intellectual laborers and expanding the factors of distribution according to need.

---

[1] Karl Marx, "Critique of the Gotha Programme."

The emergence of cooperative medical care not only helps transform the countryside's inadequate provision of doctors and medicines, but also increases certain factors of distribution according to need within the scope of a collective, thereby narrowing, in one respect, the differences in distribution between workers and peasants.

Lin Biao, Deng Xiaoping, and other members of the bourgeoisie within the Party viciously slandered and attacked these socialist new things; this is a major exposure of their reactionary aim of trying to preserve and expand bourgeois right. We must further and more thoroughly carry out the revolution in the realm of the superstructure, bring forth more socialist new things, and enthusiastically support their vigorous growth, in order to consolidate and strengthen the dictatorship of the proletariat, consolidate and perfect the socialist economic foundation, and strive to create conditions for gradually increasing the factors of distribution according to need in the distribution of consumer goods, so as to gradually achieve, over a relatively long historical period, the transition from distribution according to work to distribution according to need.

"**The method of distribution essentially depends on how much there is to distribute, and that this must surely change with the progress of production and social organization, so that the method of distribution may also change.**"[1] This means that the mode of distribution is directly determined by the nature of the mode of production, but is ultimately determined by the level of development of the productive forces.

In socialist society, socialist public ownership of the means of production fundamentally negates relations of exploitation, thereby greatly reducing inequality in distribution. However, the level of development of the productive forces in socialist society is still not very high, and bourgeois right still exists within socialist relations of production; therefore, this inequality cannot yet be fundamentally eliminated. To eliminate completely the inequality in distribution that has persisted for thousands of years, it is necessary to eliminate classes, carry the continue the revolution under the dictatorship of the proletariat through to the end in both the superstructure and the economic base, and, put the proletarian politics in command,

---

[1] Friedrich Engels, "Engels to Conrad Schmidt In Berlin," in *Marx and Engels Correspondence.*

under the leadership of proletarian politics and propelled by the socialist revolution, vigorously develop socialist production, thereby creating the necessary conditions for gradually narrowing the difference between urban and rural areas, the difference between workers and peasants, and the difference between intellectual labor and physical labor inherited from the old society, for providing increasingly abundant products, and for gradually expanding the scope of distribution according to need.

The development of everything proceeds from quantitative change to qualitative change. The transition from distribution according to work to distribution according to need must likewise proceed through a process in which the factors of distribution according to need are gradually increased and those of distribution according to work gradually reduced, until distribution according to need ultimately completely replaces distribution according to work. Completing this process requires passing through the long historical stage of socialist society. However, the laws governing the development of human society make clear that communist society will inevitably arrive and that the principle of "from each according to their ability, to each according to their needs" will inevitably be realized!

Chapter Eleven: Socialist Accumulation and Extended Reproduction

Section One: Proportional Relationship Between Two Major Departments of Social Production

Marx's Reproduction Formulas

No society can cease consuming, and therefore it cannot cease producing. When the social production process is viewed as a continuous, constantly renewing process, it is a reproduction process.

Social reproduction is both the reproduction of products and the reproduction of relations of production. In the process of socialist reproduction, not only are communist elements reproduced, but bourgeois right is also reproduced. The process of socialist reproduction is a process of movement governed by certain laws. What objective laws govern the process of socialist reproduction? How are communist elements and bourgeois right reproduced, and how do contradictions and struggles unfold between them? How should the proportional relationship between the two major departments of social production, as well as the proportional relationship between accumulation and consumption, be correctly handled? These are all important issues requiring study. The struggle between Marxism and revisionism frequently revolves around the issue of reproduction; planning work for the national economy can likewise be based only on a profound understanding of socialist reproduction. Therefore, the study of socialist reproduction is of major significance, both theoretically and practically.

Marxism holds that, under the commodity system, a crucial issue in reproduction is that what has already been consumed in the production process must be appropriately compensated

both in value and in kind. Put plainly, it must be possible to sell and to buy; otherwise, reproduction cannot continue. For example, in the process of weaving, cotton yarn is consumed and the loom is worn out—that is, materialized labor is consumed. In addition, workers' living labor is consumed, and this labor forms the value of the commodity. For the weaving process to continue, the cloth must be sold at its value; this concerns compensation in terms of value. At the same time, for the weaving process to continue, it is necessary to purchase the cotton yarn and looms that have been consumed, as well as the means of consumption needed to maintain the reproduction of labor power; this concerns compensation in kind.

When analyzing reproduction in capitalist society, Marx, in order to explain how the things consumed within a year are physically replaced, first divided social production according to the different final uses of products into two major departments: Department I, which produces means of production, and Department II, which produces consumer goods; the products of Department I are used for productive consumption, while those of Department II are used for consumer consumption. Then, in order to explain how the things consumed are replaced in value terms, he divided social products according to their value form into three components: constant capital (c), variable capital (v), and surplus value (s). The portion of value representing constant capital (c) should be used to compensate for the consumption of means of production; the portion representing variable capital (v) should be used to compensate for wage expenditures; and the portion representing surplus value (s) is appropriated by the capitalists, one part of it being used for the capitalists' personal consumption and the other for capitalist accumulation and extended reproduction, thereby intensifying the exploitation of workers. According to Marx's theory, the two different divisions of social products—by physical form and by value form—can be represented as follows:

The value of the means of production produced by Department I in one year is:

I (c + v + s)[1]

The value of the means of consumption produced by Department II in one year is:

II (c + v + s)

[1] To avoid complicating the issue under analysis, let us assume here that all constant capital is consumed within one year, and that its entire value is transferred to the product of that year.

For social reproduction to continue, the things consumed in production must be replaced in both material and value terms; consequently, exchange must take place after production. The exchange of social products proceeds through the following three channels:

First, products of Department I are exchanged among the various sectors within Department I. For example, the fuel industry supplies coal and petroleum to the machine-manufacturing sector, which, in turn, supplies machinery and equipment to the fuel industry, and so on.

Second, products of Department II are exchanged among the various sectors within Department II. For example, the grain grown by peasants supplies the workers at the textile mill, while the cloth woven by the textile mill workers supplies the peasants, and so on.

Finally, the products of Departments I and II are exchanged between the two departments. For example, the various types of agricultural machinery produced by the machine-manufacturing sector are supplied to the agricultural sector to replace worn-out equipment or for extended reproduction, while the grain, pigs, vegetables, and other products produced by the agricultural sector are supplied for consumption by employees of the machine-manufacturing sector, and so on.

Through the above three exchanges, the relationship between the two major departments of social production may manifest itself in the following two different ways:

In the first case, the production of means of production is neither excessive nor insufficient, but is exactly sufficient to replace the means of production that have already been consumed.

For example:

I (4000c + 1000v + 1000s) = 6000

II (2000c + 500v + 500s) = 3000

Here, the relationship between the two departments is expressed by the formula:

I (c + v + s) = I c + II c

This formula shows that the left-hand side of the equation represents how much means of production Department I can supply, while the right-hand side represents how much means of production the two departments together consume. The equality of these two figures indicates

that the production process can continue on its original scale; in other words, we have the condition for simple reproduction. If we remove one I from each side of the equation above, it becomes an even simpler formula:

I (v + s) = II c

Here, the left-hand side of the equation indicates that, in addition to meeting its own needs, Department I has surplus means of production to sell to Department II for use; the right-hand side indicates that, in addition to meeting its own needs, Department II has surplus consumer goods to sell to Department I. The equation **I (v + s) = II c** reflects the exchange relationship between Departments I and II under the conditions of simple reproduction and is another expression of the condition for simple reproduction.

Second case: the gross output value of the means of production produced by society, in addition to meeting the needs of enterprises in Department I and Department II for simple reproduction, has a surplus.

For example:

I (4000c + 1000v + 1000s) = 6000

II (1500c + 750v + 750s) = 3000

Here, the relationship between the two major divisions is expressed by the formula:

I (c + v + s) > I c + II c, or

I(v + s) > IIc

This formula shows that surplus means of production are already available and can be used for additional productive consumption. Thus, the prerequisite for extended reproduction is present.

Marx's twofold division of social products according to their physical form and their value form, as well as his formulas concerning reproduction, are equally valid for analyzing socialist reproduction. After the October Revolution, Bukharin once put forward the fallacy that, with the abolition of commodities, the task of political economy would come to an end. Lenin refuted this by saying: "**No. Even in a purely communist society, is there not also the**

relationship between I v + s and II c?"[1] Lenin held that even at the higher stage of communism, when there would be no commodity production, social production would still have to be divided into two major departments, and the socially necessary labor expended in production—although it would no longer manifest itself as value—would still have to be divided into three parts, c, v, and s, in order to plan and arrange correctly the proportional relationship between the two major departments. Therefore, Marx's reproduction formulas would remain applicable even at the higher stage of communism. Since socialist society still operates under the commodity system, there is all the more no question that these formulas remain valid.

However, socialist reproduction and capitalist reproduction have different natures and characteristics. In socialist society, the c in Marx's reproduction formula originally represented constant capital; it is now used to represent the replacement fund for means of production. The v originally represented variable capital; it is now used to represent the personal consumption fund controlled by workers and peasants from the newly created value. The m originally represented surplus value appropriated gratuitously by capitalists; it is now used to represent the portion of the newly created value constituting the net social income controlled by society and collectives.

Socialist reproduction and capitalist reproduction develop according to different laws.

Capitalist reproduction encounters the antagonistic contradiction between private capitalist ownership and the social character of production; extended reproduction is interrupted by periodic economic crises. When a crisis breaks out, although the means of production are piled high and fully satisfy the condition I(v + s) > IIc, capitalists, having no profitable use for them, nevertheless refuse to use them for extended reproduction; even simple reproduction cannot be maintained, as manifested in a decline in production. Socialist reproduction is based on socialist public ownership. The characteristic of socialist reproduction is uninterrupted, high-speed extended reproduction.

Socialist reproduction is governed by the basic economic law of socialism and the law of planned proportional development of the national economy. Under socialism, people become

---

[1] Vladimir Ilyich Lenin, "Remarks on N. I. Bukharin's Economics of the Transition Period." Lenin mentions I v + s here, that is, I(v + s) in Marx's reproduction formula.

capable of consciously applying Marx's reproduction formulas to make planned arrangements for the development of the national economy as a whole.

According to Marx's theory of reproduction, simple reproduction is the starting point and a component of extended reproduction. Therefore, we must arrange extended reproduction on the basis of giving priority to meeting the needs of simple reproduction. The planning departments of the socialist state must first, in accordance with the requirements of the simple-reproduction formula $I(c + v + s) > Ic + IIc$, conduct surveys and statistics, calculate how many means of production Department I can produce and how many means of production the two departments together must consume to maintain simple reproduction, and carry out comparative analysis so that the production and consumption of means of production can approximately reach equilibrium. After this balancing process, any surplus means of production indicate that the condition $I(c + v + s) > Ic + IIc$ for extended reproduction has been met; only then may they be used to arrange extended reproduction. The quantity of surplus means of production sets a relative limit on the scale of extended reproduction that can be arranged. If, within this limit, we fail to make full use of the available material resources and potential when planning and arranging extended reproduction, the rate of national economic development that could otherwise have been achieved will not be realized. Conversely, if we exceed this limit and pursue extended reproduction without first taking into account the needs of simple reproduction, we will encroach upon the means of production originally intended for simple reproduction, thereby impairing its continuation.

For example, components are generally used for simple reproduction. When a component of a machine wears out, it must be replaced with a new component for simple reproduction to continue. However, if production value and profit are being put in command, and it is believed that producing components yields low production value while requiring substantial labor, so that the components needed to maintain simple reproduction are not produced, then once the components are damaged they cannot be replenished; the mainframe cannot operate and must simply be left idle, resulting in a waste of social wealth. Similarly, if we exceed the aforementioned limit and arrange extended reproduction by extending the capital construction front, there will be a shortage of means of production, preventing projects that could otherwise

have been completed and put into operation within a short period from being completed and put into operation on time because of a lack of means of production. This is detrimental to expanding reproduction in a planned manner on the basis of ensuring simple reproduction.

Marx's theory of the two major departments of social production is a highly condensed theoretical formulation and is of major guiding significance for practice. To organize extended reproduction, monetary funds alone are not enough; corresponding material support is also required. Extended reproduction requires additional means of production. Where are the means of production to be obtained? In some cases, extended reproduction requires an appropriate increase in the number of workers; where, then, are the additional means of consumption resulting from this to come from? All these are questions that must be studied and resolved when plans are formulated and implemented.

Law of Relatively Rapid Growth of Production of Means of Production

In the process of extended reproduction, Department I generally grows faster than Department II, reflecting the objective law that production of means of production grows relatively rapidly (also known as the priority growth of production of means of production).

The law of the relatively rapid growth of the production of means of production operates in both capitalist and socialist societies.

> Over the thirty-two years from 1868 to 1900, production of the means of production in the United States increased 2.4-fold, whereas production of the means of consumption increased by only 1.9-fold. During the twenty-nine years from 1900 to 1929, production of the means of production in the United States grew 1.3-fold, while production of the means of consumption increased by only 60%. Over the 132 years from 1781 to 1913, production in the means-of-production industries of the United Kingdom grew by an average of 3.4% per year, whereas production in the means-of-consumption industries grew by only 2.4% per year.
>
> During the various periods of socialist construction in the Soviet Union under Stalin's leadership, the trend toward relatively rapid growth in the production of means of production was likewise evident: from 1929 to 1932, the average annual growth rates of industrial means of production and means of consumption were 28.6% and 11.7%, respectively; from 1933 to 1937, they were 19% and 14.8%,

respectively; from 1938 to 1940, 15.3% and 10%, respectively; and from 1941 to 1950, 7.4% and 2.1%, respectively.

In the course of socialist construction in China, the relatively rapid growth of the production of means of production is even more pronounced. During the ten years from 1949 to 1959, China's industrial gross output value increased 10.8-fold, while the production of means of production increased 26.1-fold.

Why must the production of means of production necessarily grow faster than the production of means of consumption? This is because technological progress and increased labor productivity inevitably result in the same amount of living labor driving the production of an ever greater quantity of means of production. Marx said: "**The increase in labor productivity consists precisely in that the share of living labor is reduced while that of past labor is increased, but in such a way that the total quantity of labor incorporated in that commodity declines; in such a way, therefore, that living labor decreases more than past labor increases.**"[1] This passage by Marx has in fact already explained the necessity for the production of means of production to grow faster. As technological progress and labor productivity increase, although both the living labor and the total labor consumed in producing each unit of product decrease, the "past labor" it consumes—that is, means of production—continues to increase. Thus, the production of means of production must necessarily grow

[1] Karl Marx, "Chapter 15. Exposition of the Internal Contradictions of the Law," in *Capital*, Vol. III.

somewhat faster than the products produced using these means of production.[1] If the products to be produced are consumer goods, this means that the growth of the production of means of production is faster than the growth of consumer-goods production. If the products to be produced are means of production, then the means of production used to manufacture these means of production must necessarily grow even faster than the means of production used to manufacture consumer goods. There is a view that the formula I(v + s) > IIc itself indicates the need for the production of means of production to grow faster. This is a misunderstanding:

First, it conflates two different matters. Although I(v + s) > IIc and the faster growth of the production of means of production both concern the relationship between the two major departments, they do not refer to the same thing. The former states that to carry out extended reproduction, after compensating for the means of production consumed in simple reproduction, there must also be surplus means of production; the latter indicates that the growth rate of production of means of production must be faster than that of production of means of consumption.

Second, these two different matters are not necessarily related. For I(v + s) to change from being equal to IIc to being greater than IIc, a relatively rapid development of means of

[1] An example is shown in the table below: the labor expended per unit of product decreases from 100 in the first year to 80 in the fifth year, while the means of production consumed increase from 50 to 70. This is a typical instance of increased labor productivity. The physical quantity in category (4) is also hypothetical; its rate of growth does not affect the point being explained here. Calculated according to the above figures, the output value increased fourteenfold (for simplicity, assuming that one unit of labor is embodied in one unit of value), whereas the means of production consumed required a 3.2-fold increase.

Year	Labor Consumed Per Unit of Product			Output		Output Value of Means of Production Consumed (6) = (2) * (4)
	Living Labor (1)	Means of Production (Materialized Labor) (2)	Total (3)	Physical Quantity (4)	Output Value (5) = (3) * (4)	
1	50	50	100	100	10,000	5,000
2	40	55	95	150	14,250	8,220
3	30	60	90	200	18,000	12,000
4	20	65	85	250	21,250	16,250
5	10	70	80	300	24,000	21,000
Total Growth	-	-	-	-	1.4 times	3.2 times

production is clearly required. However, once the relation I(v + s) > IIc has been established, continuing to meet this condition for extended reproduction no longer requires the means of production to grow faster than the means of consumption; they may also develop at the same rate. It is like a person who has already run ahead of another: maintaining the distance between them does not require the person in front to run faster. When discussing I(v + s) > IIc, Lenin explicitly pointed out: based on the formulas of extended reproduction put forward by Marx in Chapter 21 of Volume II of Capital and the examples he provided, "**above the conclusion cannot be drawn that department I predominates over department II: both develop on parallel lines.**"[1]

Third, these two matters also rest on different foundations. I(v + s) > IIc is a requirement of extended reproduction of any type;[2] whereas the faster growth of production of means of production is determined solely by the condition of technological progress. In his analysis of extended reproduction in Chapter 21 of Volume II of *Capital,* Marx set aside the condition of technological progress; therefore, although the condition I(v + s) > IIc must also be present there, he did not raise the question of whether the production of means of production should grow faster than the production of means of consumption. To confuse I(v + s) > IIc with the faster growth of production of means of production is theoretically erroneous and practically harmful. For if one assumes that I(v + s) > IIc by itself satisfies the requirement for the faster growth of production of means of production, and uses this as the basis for formulating plans and organizing production, the result may indeed achieve extended reproduction, but it will fail to meet the additional demand for means of production arising from technological progress. This would hinder technological progress and improvements in labor productivity, and would therefore fail to guarantee the high rate of socialist extended reproduction.

Lenin provided an extremely profound exposition of the significance of the law that the production of means of production grows relatively rapidly: "**The whole meaning and**

---

[1] Vladimir Ilyich Lenin, "On the So-Called Market Question," in *Lenin's Collected Works*, Vol. 1.

[2] Extended reproduction is of two types: one is called "extensive expanded reproduction," namely, expanded reproduction achieved by increasing the number of production workers and the amount of production equipment while keeping the technological level unchanged. The other is called "intensive expanded reproduction," namely, expanded reproduction achieved by raising labor productivity through technological progress. See Marx, "Chapter 8: Fixed Capital and Circulating Capital," and "Chapter 17: The Circulation of Surplus Value," *Capital*, Vol. II.

significance of this law of the more rapid growth of means of production lies in the one fact that the replacement of hand by machine labor—in general the technical progress that accompanies machine industry—calls for the intense development of the production of coal and iron, those real means of production as means of production." "**The higher the level of technical development the more is human hand labor ousted, being replaced by machines of increasing complexity: an ever larger place is taken in the country's total production by machines and the articles needed for their manufacture.**"[1] In other words, to achieve extended reproduction under conditions of continuous technological progress, it is essential to vigorously develop the production of means of production, especially to accelerate the production of means of production such as coal and iron, which are used to manufacture means of production. Therefore, launching a major drive to develop mines is of particularly great significance. Only by launching a major drive to develop mines can the furnaces be adequately supplied, producing more iron and steel; and can steel rolling equipment be fully utilized to roll various steel products. Only then will various machine tools have materials to process, enabling the manufacture of more and better machinery and equipment to replace manual labor and renew obsolete machinery and equipment, thereby greatly increasing labor productivity and substantially accelerating the pace of socialist construction.

The law that the production of means of production grows relatively rapidly operates in socialist society with its own distinctive features. In capitalist society, capitalists are compelled to adopt new technologies only in order to exploit workers, defeat their rivals in fierce competition, and pursue maximum profit. There, the law of the relatively rapid growth of production of means of production operates as an alien force. When an economic crisis strikes, factories close down or are forced to reduce production, and the production of means of production is often the first to be cut.

Under socialism, the law that the production of means of production grows relatively rapidly has a much broader scope in which to operate than under capitalism. Socialist states do not experience economic crises. The working people of socialist states are the masters of society and enterprises; in order to defeat capitalism completely and accelerate socialist construction,

---

[1] Vladimir Ilyich Lenin, "On the So-Called Market Question," in *Lenin's Collected Works*, Vol. 1.

they attach great importance to technological progress and raising labor productivity. Although social forces such as the bourgeoisie and old habits that obstruct technological progress exist, socialist states can, through the struggle of the proletariat and the broad masses of working people against them and their eventual victory, consciously understand and apply the law of the relatively rapid growth of production of means of production, plan the proportional relationship between the two major departments of social production, and thereby ensure the relatively rapid growth of production of means of production.

Growth of Production of Means of Production Cannot Be Separated From Growth of Production of Means of Consumption

When a socialist state draws up a national economic plan, it must take into account the objective requirements of the law that the production of means of production grows relatively rapidly. However, this does not mean that Department I, which manufactures means of production, can disregard Department II, which produces means of consumption, or develop in isolation from it.

Considering the destination of the means of production, the relatively rapid growth of Department I cannot be separated from the corresponding development of Department II. In the process of social reproduction, although a considerable proportion of the means of production is not used directly to produce consumer goods but is used within Department I—for example, coal enterprises supply coal to steel enterprises, which in turn supply steel to machinery manufacturers, while machinery manufacturers supply machines back to coal and steel enterprises, and so on—Department I does possess a relative independence insofar as its constituent enterprises exchange products among themselves. In other words, even without growth in personal consumption or the corresponding development of Department II, which produces means of consumption, Department I can achieve extended reproduction within certain limits. Nevertheless, means of production are not ultimately produced for their own sake. The production of means of production is, in the final analysis, intended to produce means of consumption. Without the corresponding development of Department II, the products of

Department I would eventually have no market, and Department I could not continue to develop on a larger scale.

Furthermore, from the perspective of demand for means of consumption, it can likewise be seen that the faster growth of Department I cannot be separated from the corresponding development of Department II. The development of Department I requires not only an increase in means of production, but also an increase in workers and means of consumption. One aspect of the basic economic law of socialism is the gradual improvement of the material and cultural life of the people on the basis of continuous growth in production; even if Department I does not increase its workforce, it still requires additional means of consumption. The gradual improvement in the lives of the large numbers of workers and peasants engaged in production in Department II likewise creates new demands for means of consumption. All of this must be resolved through the development of Department II.

There is a relationship of mutual opposition, mutual dependence, and mutual promotion between the two major departments of social production. Properly handling this relationship plays a significant role in enabling social production to develop rapidly and healthily. However, only in socialist society is there such a real possibility: correctly integrating the relatively rapid growth of the production of means of production with the corresponding development of the production of means of consumption, thereby promoting the healthy development of extended reproduction.

> In imperialist countries, because the monopoly bourgeoisie seizes high profits and pursues world hegemony, the armaments industry expands malignantly. The large quantities of means of production supplied by Department I are not used to produce consumer goods, but to produce armaments. Armaments production itself, such as the production of artillery and tanks, does not provide means of production and does not belong to Department I; at the same time, it does not provide consumer goods, but does provide military supplies for wartime consumption, and therefore constitutes a special sector of Department II.
>
> The malignant expansion of the armaments industry complicates the relationship between the two departments, causes distorted development of social production, and necessarily lowers the rate of production growth. For example, during 1956–1975, Soviet revisionist social imperialism frantically expanded its armed forces and prepared for war. Military expenditure as a proportion of national income was 13% in 1960, 17% in 1970, and rose to 20% in 1975, exceeding that of fascist Germany and Japan

before the Second World War, as well as that of the United States during the Vietnam War after the Second World War (even then, their military expenditure did not exceed 12% of national income).

The result of Soviet revisionist social imperialism's frantic expansion of its armed forces and preparation for war was that agricultural investment was squeezed out, while the main part of industrial investment was used for sectors related to armaments production; less than 15% of industrial investment was used for the production of consumer goods. Consequently, extended reproduction was seriously damaged, and the growth rate of industrial and agricultural output became increasingly low. The growth rates of national income, industrial output, and agricultural output stipulated in the Ninth Five-Year Plan (1971–1975) of the Soviet Union were respectively 36%, 28%, and 69% lower than those stipulated in the Sixth Five-Year Plan (1956–1960). In the eleven years from 1965 to 1975, agriculture experienced reduced output in seven years. The industrial and agricultural production of Soviet revisionist social imperialism was in complete chaos, mainly as a result of the restoration of capitalism, while the malignant expansion of the armaments industry accelerated this deterioration.

Social production is divided into the two major departments of production of means of production and production of means of consumption. This is a theoretical generalization, whereas in reality production is divided and organized according to agriculture, light industry, and heavy industry. What is the relationship between agriculture, light industry, and heavy industry and the two major departments of social production? Agriculture, light industry, and heavy industry are distinguished according to the different characteristics of the various material production sectors in terms of their objects of labor and production methods, whereas the two major departments of social production are distinguished according to the different ultimate uses of their products. They are therefore both distinct and closely related. Although agriculture and light industry also provide some means of production, such as cash crops, industrial paper, and industrial cloth, they mainly provide means of consumption. Heavy industry also provides some means of consumption, such as coal and electricity for civilian use, but it mainly provides means of production. Therefore, establishing appropriate proportional relationships among agriculture, light industry, and heavy industry can both take account of the proportional relationships among the extremely complex and diverse material production sectors and, in general, reflect the requirements of the proportional relationship between the two major departments of social production.

In accordance with the requirements of the law that the production of means of production should grow relatively rapidly, more funds and materials must be allocated to the development of heavy industry. This is not contradictory to arranging the national economy according to the sequence of agriculture, light industry, and heavy industry. The latter does not mean that the allocation of funds and materials should give agriculture and light industry the largest share; it means only that the allocation of funds and materials must first guarantee the needs of agriculture and light industry, and then arrange heavy industry according to the conditions under which agriculture and light industry can develop. However, since heavy industry is primarily the department that manufactures means of production, it must necessarily develop relatively rapidly. Consequently, under this arrangement, the share occupied by heavy industry in the allocation of funds and materials will still exceed that of agriculture and light industry.

The principle that the growth of the production of means of production cannot be separated from the growth of the production of means of consumption requires that the national economic plan be arranged according to the sequence of agriculture, light industry, and heavy industry. Whether to pursue agriculture, light industry, and heavy industry, or heavy industry, light industry, and agriculture, is a major matter of principle concerning whether the relationship between the two major departments of social production can be handled correctly. If heavy industry, light industry, and agriculture are pursued in this erroneous order, the planning of heavy industry will lose its basis, and the development of Department I of social production may easily become detached from Department II, inevitably resulting in obstruction or even destruction. Pursuing agriculture, light industry, and heavy industry is different: once agriculture and light industry are arranged first and heavy industry afterward, the development of Department I of social production will have a solid foundation, and the entire social production will have favorable conditions for rapid development.

"**It must be affirmed that heavy industry is the core of China's economic construction. At the same time, full attention must be paid to the development of agriculture and light industry.**"[1] This teaching of Chairman Mao correctly reflects the

[1] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 419.

objective requirement that the relatively rapid growth of the production of means of production must be combined with the corresponding development of the production of means of consumption. It establishes the most fundamental content of comprehensive balancing in the national economic plan and makes the general theory of reproduction in Marxism a practical guiding principle for socialist construction in China. This is a concrete application and substantial development of the Marxist theory of reproduction.

Section Two: Accumulation Is the Source of Extended Reproduction

Unity of Opposites of the Accumulation Fund and the Consumption Fund

The previous chapter examined how national income, after distribution and redistribution, ultimately comes down to two different uses: the accumulation fund and the consumption fund. This distribution relation of national income directly concerns the expansion of socialist reproduction and the improvement of people's lives, and is an issue that we must focus on here.

In socialist society, there is a relationship of unity of opposites between the accumulation fund and the consumption fund. The former is used mainly for extended reproduction, while the latter is used mainly to improve people's standard of living; both are essential and indispensable. However, within a given period, national income is a fixed amount: if more is allocated to accumulation, less can be allocated to consumption. The reverse is also true. There is a contradiction between them. But viewed from a long-term perspective, the situation is different, because accumulation is the source of extended reproduction. The greater the accumulation—that is, the greater the funds used for extended reproduction—the faster the national economy can develop, thereby creating the material conditions for improving people's standard of living and raising the consumption level in the future. Thus, accumulation and consumption also have a unified aspect.

In capitalist society, accumulation is the accumulation of capital and serves as a means by which capitalists further exploit the proletariat. The contradiction between capitalist accumulation and the consumption of the broad masses of working people is antagonistic. In socialist society, accumulation is used by the socialist state and collectives to carry out socialist construction, strengthen the economic base of the dictatorship of the proletariat, and serve the interests of the proletariat and the broad masses of working people. The contradiction between socialist accumulation and consumption is a contradiction between the interests of the state, the

collective, and individuals, and between long-term and immediate interests; it is a non-antagonistic contradiction based on the unity of fundamental interests.

Although the contradiction between socialist accumulation and consumption is non-antagonistic rather than antagonistic, it cannot be regarded as insignificant. In the national economy as a whole, the proportional relationship between accumulation and consumption is one of the most important such relationships. If this relationship is handled properly, it will help promote the rapid and steady development of the national economy as a whole. If it is handled improperly, it may have adverse consequences for the development of the national economy as a whole.

Determination of the Accumulation Fund and Its Relationship to the Two Major Departments of Social Production

What is the appropriate proportion between accumulation and consumption? Is there a minimum or maximum limit for determining the accumulation fund? What is its relationship to the two major departments of social production? What regularities does it exhibit? The study of these questions is of great theoretical and practical significance.

Within the proportional relationship between accumulation and consumption, increased accumulation must be combined with an appropriate improvement in the people's standard of living; and improvement in the people's standard of living, in turn, can be based only on the continuous expansion of social production and increased labor productivity. This means that we must consider both needs and what is possible; consider both the improvement of the people's standard of living and the need to ensure the rapid development of the national economy; and recognize that national construction and the development of social production are prerequisites for improving the people's standard of living.

To further explore the regularities governing the proportion between accumulation and consumption, let us first specifically analyze the minimum and maximum limits of the consumption fund and accumulation fund. Under normal circumstances, the portion of national income used for consumption must ensure that, during the planning period and taking population

growth into account, the per capita consumption level is no lower than that of the preceding period. This is the minimum limit of the consumption fund. After this minimum-limit consumption fund is deducted from national income, the remainder is the portion that can be used for accumulation, thereby establishing a maximum limit for the accumulation fund. In addition, the accumulation fund has its own minimum limit. Under ordinary circumstances, this minimum limit is precisely the amount of accumulation already attained in the preceding period. If it falls below this amount, not only will the pace of socialist production development slow, but some of the capital construction projects already begun in the preceding period will be unable to continue construction and enter production; moreover, it will have a certain impact on material reserves maintained as a reserve, hindering implementation of the policy of "**prepare for war, prepare against famine, and serve the people.**" Except in special circumstances, such as waging a war of aggression, suffering an exceptionally severe natural disaster, or being seriously disrupted by an erroneous line, the amount of accumulation will generally not fall below that already attained in the preceding period.[1] Once this minimum limit of the accumulation fund is determined, the maximum limit of the consumption fund is determined as well.

The above lower and upper limits provide a range of choices for determining the accumulation fund. Under normal circumstances, we cannot act beyond this range. The faster production develops and the greater the growth in national income, the broader the range defined by these upper and lower limits; consequently, the greater the leeway we have in choosing the size of the accumulation fund and, therefore, the consumption fund. Within the above range, can the amounts of the accumulation fund and the consumption fund be determined entirely at our discretion? No. Distribution must be determined by production; the way national income is divided into the two major components—the accumulation fund and the consumption fund—is ultimately constrained by the proportional relationship between the two major departments of social production. This is because the principal part of the accumulation fund is used for capital construction and for expanding social reproduction. Apart from requiring an additional portion of means of consumption, it mainly requires additional means of production as material support. An

[1] What is the minimum limit of the accumulation fund? Unlike the minimum limit of the consumption fund, it is not so easy to determine; this question may be studied further.

accumulation fund without corresponding material support is empty and cannot be realized. Similarly, the consumption fund is used to purchase means of consumption and must be guaranteed by a corresponding supply of means of consumption. When Marx discussed the formation of the proportional relationship between accumulation and consumption in capitalist society, he pointed out: "**This movement is not only a replacement of value, but also a replacement in material and is therefore as much bound up with the relative proportions of the value-components of the total social product as with their use-value, their material shape.**"[1] Marx's principle applies equally to socialist society.

Chairman Mao taught: "**Every year our country draws up an economic plan in order to establish a proper ratio between accumulation and consumption and achieve an equilibrium between production and needs.**"[2] The balance Chairman Mao refers to here means that the arrangement of accumulation and consumption must have corresponding material support; that is, the production of means of production and means of consumption must be kept in balance with needs. It can be seen that, in terms of value, determining the amounts of the accumulation fund and consumption fund seems relatively easy. However, for such a determination to become an effective determination in real life, it must also be guaranteed by corresponding material goods and be constrained by the existing proportional composition of the two major departments of social production.

The proportions between the two major departments of social production play a decisive role in determining the proportional relationship between accumulation and consumption. However, this absolutely does not mean that we can use a ready-made, simple mathematical formula to prescribe mechanically a percentage for accumulation and consumption. In terms of the objective possibilities provided by material conditions, there is room for flexibility: some products can be used either as means of consumption or as means of production. At the same time, because different periods entail different political and economic tasks, the amounts that need to be accumulated and consumed are also variable. The principle for correctly handling these relationships is to combine objective possibilities with subjective initiative; to integrate, as

---

[1] Karl Marx, "Chapter 20: Simple Reproduction," in *Capital*, Vol. II.

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 395.

fully as possible, the interests of the state, the collective, and the individual, as well as long-term and immediate interests; and, on the basis of growth in national income, to take accumulation and consumption into overall consideration so that both can increase. On the one hand, the growth of accumulation must be placed on a reliable foundation of the gradual improvement of the people's standard of living; on the other hand, the improvement of the people's standard of living must in no way impede the necessary growth of accumulation. The emphasis should be placed on the people's long-term interests.

Accumulation is the source of extended reproduction. For the overall and long-term interests of building socialism, we should emphasize: hard struggle, increasing production and practicing economy, building the country through diligence and thrift, running households through diligence and thrift, and appropriately accumulating somewhat more.

The percentage of the national income accounted for by the accumulation fund is called the accumulation rate. The socialist accumulation rate should not only be higher than the accumulation rate under capitalism, but it is also entirely possible for it to maintain a higher level. This is because socialist society has eliminated economic crises, labor productivity can continue to increase, the means of production and labor power can be used rationally, and parasitic consumption has been rejected. Consequently, while gradually improving the people's standard of living, it can consistently maintain a relatively high accumulation rate. This is one manifestation of the superiority of socialism.

In the distribution of the accumulation fund and the consumption fund, there has always been a struggle between the Marxist and opportunist two lines. For more than a century, the opportunists Lassalle and such reactionary petty-bourgeois socialists as Dühring, who were concealed within the German workers' movement, advocated distributing the entire national income in the future new society, leaving nothing for accumulation, and allowing workers to obtain the so-called "undiminished proceeds of labor," or "the entire proceeds of labor," in a vain attempt to use bourgeois welfarism to lead the proletarian revolution onto the wrong path of reformism. Marx and Engels subjected these opportunist fallacies to ruthless exposure and criticism. Engels incisively pointed out that in Dühring's "communal society," "**Accumulation is completely forgotten. Even worse: as accumulation is a social necessity and the retention of**

money provides a convenient form of accumulation, the organization of the economic commune directly impels its members to accumulate privately, and thereby leads it to its own destruction." Dühring's "communal society" "**has no other purpose but the recreation of high finance.**"[1] People like Liu Shaoqi, Lin Biao, and Deng Xiaoping, in the same line as Lassalle and Dühring, openly clamored that socialism meant "getting a little more," "taking a little more," and used promises such as "increasing wages once a year" to deceive the people, viciously attacking socialist accumulation as "disguised exploitation." They opposed socialist accumulation and opposed Chairman Mao's series of policies guaranteeing socialist accumulation, including practicing strict economy, opposing waste, hard struggle, and building the country through diligence and thrift. On the one hand, their purpose was to use this to deceive the masses and cultivate a social foundation for their restoration activities; on the other hand, they vainly sought to undermine socialist construction by distributing, consuming, and using everything up. In reality, this meant replacing social accumulation with private accumulation, thereby paving the way for the disintegration of socialist ownership and the restoration of capitalism.

Internal Composition of the Accumulation Fund

Accumulation is the source of extended reproduction, but the way in which the accumulation fund is used makes a great difference to the results of extended reproduction. According to its purpose, the accumulation fund can be divided into three components: the extended reproduction fund, the non-productive capital construction fund, and the social reserve fund. Understanding the regularity of the proportional relationships within the accumulation fund and organizing its use rationally is an important issue concerning the integration of the people's long-term and immediate interests and determining whether socialism can be built with greater, faster, better, and more economical results.

There is a certain proportional relationship between the extended reproduction fund and the non-productive capital construction fund. Non-productive capital construction should not

[1] Frederick Engels, "IV. Distribution," in *Anti-Dühring*.

occupy too much of the accumulation fund. If it occupies too much, the fund used for extended reproduction will be reduced, which is contrary to the long-term interests of national development. In particular, non-productive capital construction such as office buildings, large auditoriums, exhibition halls, and guesthouses should occupy even less of the funds for national development. However, some non-productive capital construction is indispensable because it is closely related to people's living or working conditions. For example, in newly built industrial bases or old cities where the number of workers has increased substantially, there is a corresponding need to build workers' dormitories, vegetable markets, shops, and other cultural and welfare facilities. The relationship between productive and non-productive capital construction is like that between bones and flesh, and it must be handled properly.

Although the social reserve fund accounts for a relatively small proportion of the accumulation fund, its existence is nevertheless necessary. This is because, although the development of the socialist national economy is planned, imbalances will inevitably arise frequently. In the reproduction process, fixed assets such as machinery and equipment gradually wear out, and the depreciation fund established for the renewal of fixed assets accordingly accumulates gradually; however, the replacement and renewal of fixed assets take place only many years later, which may cause an imbalance between the supply of depreciation funds for fixed assets accumulated in each year and the needs of that year. In addition, natural disasters, unexpected disruptions between various departments, sudden changes in international relations, and so on may all cause imbalances in the development of the national economy. To overcome these unavoidable imbalances, and to prepare for war, prepare against famine, and serve the people, it is necessary to maintain a social reserve, including reserves of means of production such as important equipment, raw materials, and fuel, as well as reserves of means of consumption such as grain and other major daily consumer goods, so that they can be used in emergencies and ensure the smooth progress of social reproduction. To explain the important role of material reserves, Marx once described such reserves as "**control by society over the material means of its own reproduction.**"[1] In order to organize proportional production, socialist society must establish certain material reserves in a planned manner, so as to regulate

[1] Karl Marx, "Chapter 20: Simple Reproduction," in *Capital*, Vol. II.

the contradiction between occasional surpluses and occasional shortages of materials. Therefore, maintaining a certain social reserve is conducive to the planned, proportional, and rapid development of the national economy. However, an increase in reserves means a corresponding reduction in the materials used for current extended reproduction; excessive reserves will lead to the accumulation of funds and materials, thereby affecting the speed of extended reproduction. Consequently, it is necessary to proceed from objective conditions, formulate reasonable quotas for various material reserves, and manage them correctly.

Within the extended reproduction fund, there may also be many different types of composition. There are regularities governing the proportions of investment in agriculture, light industry, and heavy industry, as well as the proportions invested in large-, medium-, and small-sized enterprises. First, it is necessary to follow the principle that agriculture is the foundation and industry is the leading force, and to properly handle the proportional relationship among agriculture, light industry, and heavy industry. Second, whether selecting investment projects or choosing enterprise sizes, the effectiveness of investment is also an issue. Marx pointed out: "**On the basis of socialized production the scale must be ascertained on which those operations — which withdraw labor-power and means of production for a long time without supplying any product as a useful effect in the interim — can be carried on without injuring branches of production which not only withdraw labor-power and means of production continually, or several times a year, but also supply means of subsistence and of production.**"[1] This passage by Marx tells us that if there are too many construction projects requiring relatively long periods, the result is much like having an excessively long capital construction front, excessively dispersed investment, or delays caused by construction projects not being properly coordinated and consequently being unable to enter production for a long time: all of these impair the improvement of investment effectiveness and hinder the rapid development of extended reproduction.

Modern large-scale heavy industrial enterprises are the backbone of socialist industrialization and must therefore be established. Generally speaking, however, they require greater investment, have longer construction periods, and take longer for their investment effects

[1] Karl Marx, "Chapter 18: Introduction," in *Capital*, Vol. II.

to materialize. In other words, they will absorb labor power and means of production for a relatively long time, yet provide no useful products during that period. Therefore, although the main portion of investment in capital construction should be allocated to the heavy industry sector, the construction of large-scale heavy industrial enterprises must also be appropriately limited and should not be excessive. Properly arranging the various internal proportions of investment in productive capital construction and ensuring that investment effects are fully realized are of great importance for building socialism more rapidly, efficiently, economically, and well.

Section Three: General Law of Socialist Accumulation

Socialist accumulation and capitalist accumulation differ in essence and are governed by fundamentally different laws.

Capitalist accumulation is the product of capitalist private ownership. The process of capital accumulation is the process of producing surplus value and transforming it into capital; it is also the process by which capitalists amass wealth while continually generating a relative surplus population, thereby impoverishing hundreds of millions of working people. Therefore, the extended reproduction that accompanies capital accumulation is not only the extended reproduction of social products but also the extended reproduction of capitalist relations of production.[1]

In capitalist society, relative surplus population is unavoidable because, as capital accumulation and the scale of production expand, labor productivity continually increases, and the production process necessarily uses less labor to set ever greater quantities of the means of production in motion. This process is concretely manifested in the increasingly high organic composition of capital (c/v), variable capital becomes increasingly smaller relative to constant capital, thereby causing the demand for labor power to decrease relatively in comparison with the total amount of capital. The result is inevitably the emergence of a relative surplus population and worker unemployment. "**The laboring population therefore produces, along with the accumulation of capital produced by it, the means by which it itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production.**" Marxists hold that no abstract law of population exists in human society. "**In fact every special**

[1] Marx provided a highly insightful exposition of the reproduction of capitalist relations of production. In criticizing Proudhon, he said: "**M. Proudhon the economist understands very well that men make cloth, linen, or sassociates materials in definite relations of production. But what he has not understood is that these definite social relations are just as much produced by men as linen, flax, etc.**" (Karl Marx, "Chapter Two: The Metaphysics of Political Economy," in *The Poverty of Philosophy*, (Progress Publishers, 1955). Marx also pointed out: "**Capitalist production, therefore, under its aspect of a continuous connected process, of a process of reproduction, produces not only commodities, not only surplus-value, but it also produces and reproduces the capitalist relation; on the one side the capitalist, on the other the wage laborer.**" (Karl Marx, "Chapter Twenty-Three: Simple Reproduction," in *Capital*, Vol. I)

historic mode of production has its own special laws of population, historically valid within its limits and only in so far as man has not interfered with them."[1]

The result of capitalist accumulation must necessarily be this: at one pole, a huge accumulation of bourgeois private wealth, and at the other, an accumulation of poverty among the proletariat and working people. As Marx revealed: "**The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labor, the greater is the industrial reserve army. The same causes which develop the expansive power of capital, develop also the labor power at its disposal. The relative mass of the industrial reserve army increases therefore with the potential energy of wealth. But the greater this reserve army in proportion to the active labor army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to its torment of labor.[2] The more extensive, finally, the lazarus layers of the working class, and the industrial reserve army, the greater is official pauperism. This is the absolute general law of capitalist accumulation.**"[3]

> In the capitalist world, relative overpopulation frequently exists even during periods of "economic boom," with the unemployed often accounting for about 4% of the labor force. Once an economic crisis breaks out, the proportion becomes even higher. According to figures released by the United States government, the unemployment rate for the whole of 1975 was 8.5%, and by the end of the year the number of unemployed had reached 7.8 million. If the partially unemployed and those who had given up hope of finding work because of prolonged unemployment are included, the unemployed army totaled as many as 15 million, making the actual unemployment rate 15%, while the unemployment rate among Black people was as high as 26%. In some other capitalist countries, young workers and women workers were hit hardest by unemployment. For example, of Italy's 700,000 unemployed, 450,000 were young people seeking employment for the first time. Among the unemployed in Belgium, women workers outnumbered male workers by more than two to one.

---

[1] Karl Marx, "Chapter Twenty-Five: The General Law of Capitalist Accumulation," in *Capital*, Vol. I. These two passages by Marx constitute a profound critique of Malthusian population theory. Malthus presented the Law of population peculiar to capitalism as an abstract Law of population and an absolute natural law unrelated to the social system; his aim was to conceal the crimes of capitalism and oppose proletarian revolution.

[2] (Original note) Note by the original translator: In the French edition personally revised by Marx, it reads: "in direct proportion."

[3] Karl Marx, "Chapter Twenty-Five: The General Law of Capitalist Accumulation," in *Capital*, Vol. I.

The polarization between the rich and the poor is an inevitable companion of capitalist accumulation. According to material from the University of Michigan Survey Research Center reprinted by the *BusinessWeek* on August 5, 1972, in 1970 the wealthiest 5% of families in the United States possessed more than 40% of the country's social wealth, whereas the 50% of families at the bottom of society possessed only about 3% of the country's social wealth. According to survey material published by the Census Bureau on 51 urban areas in 1970 and cited by *The New York Times Magazine* on November 5, 1972, more than 60% of all workers in these surveyed areas could not earn enough to maintain a minimally decent standard of living for their families; 30% could not even obtain an income at the poverty level.

The general law of capitalist accumulation is also increasingly evident in its operation under Soviet revisionist social imperialism. The Soviet bureaucratic monopoly bourgeoisie controls the lifelines of the national economy, using a large part of the national income created by the working people to expand armaments and prepare for war, and to carry out capital accumulation in order to extract more surplus value. As a result, a small clique of the bureaucratic monopoly bourgeoisie grows ever richer and more extravagantly self-indulgent, while the broad masses of working people suffer from the threat of unemployment and experience increasingly impoverished living conditions.

According to the Soviet revisionist press, in the Soviet Union "there is a surplus of labor power in some regions," and "employment for residents has become a problem." For this reason, so-called "employment agencies" are widely established in various localities, and their operations are extremely busy, with tens of thousands of job seekers arriving "one after another." In the Russian Federation and Kazakhstan alone, from 1969 to 1974, the number of people who came seeking employment reached several million.

There are many "economically disadvantaged families" in the Soviet Union today. The Soviet revisionist magazine *Socialist Labor* explained that an economically disadvantaged family is one whose per capita income is lower than the level necessary to "ensure a minimum standard of material living." In TASS report No. 437 in November 1974, it admitted that these "economically disadvantaged families" "involve 25 million people." The actual situation is, of course, even more serious. Calculations based on material published in the Soviet revisionist press show that in Soviet cities, such "economically disadvantaged families" account for approximately 20% of the urban population. In Soviet collective farms, those field workers who use draft animals and perform manual labor also belong to these "economically disadvantaged families"; this group alone accounts for more than 50% of the total number of collective-farm members.

Unlike capitalist accumulation, socialist accumulation is based on socialist public ownership and conforms to the requirements of the basic economic law of socialism. The growth of socialist accumulation is manifested not only in the tremendous increase in social wealth and the continuous improvement of the social productive forces, but also in the fact that the accumulated social wealth and the continuously improving social productive forces belong to the proletariat and the broad masses of working people and are used to serve their interests. In other words, the process of socialist accumulation is also the process of extended reproduction of socialist relations of production.

In a socialist society, as accumulation increases and production expands, labor productivity will also rise steadily. In other words, in the production process, increasingly greater quantities of the means of production will be set in motion by smaller amounts of labor. This process proceeds more rapidly than it does under capitalism. This is because the process of socialist accumulation follows entirely different laws.

The process of socialist accumulation does not produce a relative surplus population or lead to unemployment. Marxism holds that, of all things in the world, people are the most precious. The establishment of socialist public ownership provides a real possibility for the planned use of labor power to create wealth for society and promote the well-being of all working people. In socialist society, family planning is encouraged not because there is any relative surplus population, but because it facilitates the planned advancement of socialist revolution and socialist construction, the planned organization of people's lives, and the proper protection of the health of mothers and children.

With the increase in socialist accumulation and the expansion of production, and with the rise in labor productivity, some labor power will also become redundant in the original production process. However, this labor power will not become a relatively surplus population as it does in capitalist society. This is because "s**ocialism has not only liberated the working people and freed the means of production from the shackles of the old society but has also released the boundless resources of nature which the old society could not exploit. The masses have unlimited creative power. They can organize themselves to take on all spheres and branches of work where they can give full play to their energy, tackle production more**

intensively and extensively and initiate more and more undertakings for their own well-being."[1] The experience of China's agricultural cooperativization and agricultural mechanization shows that the labor power made redundant did not thereby become a surplus population. On the contrary, it has provided the rural people's communes with abundant labor resources for developing intensive cultivation and diversified operations, promoted the development of agricultural production, and improved the lives of the peasants.

> Xuejiaku Production Team in Shanghai County, where there is little land and a large population, provides us with a particularly illustrative example. This production team is large, comprising 166 households, 566 people, and 328 laborers, but it has only 301 mu (20 hectare) of cultivated land—an average of just over half a mu (0.035 hectare) per person. Yet its agricultural mechanization ranks among the best in the county. In 1974, it had 14 types and 36 units of powered machinery, as well as 113 units of non-powered machinery. The degree of agricultural mechanization was as follows: mechanized plowing reached 95%, and electric irrigation 100%; topdressing, watering, field transport, rice and wheat threshing, plant protection for grain and vegetables, and feed cutting or crushing had all basically been mechanized or semi-mechanized. The achievement of agricultural mechanization has not only reduced labor intensity and changed the condition described as "a shoulder pole never leaving one's shoulder, and stooping with a bent back for thousands of years," but also liberated a large number of laborers. In 1974 alone, it saved 37,000 person-hour, equivalent to adding 145 laborers that year. If the 178 laborers naturally added between 1965 and 1974 are included, the total increase amounted to 323 laborers. This team originally had little land and many people; with so many additional laborers, did this therefore result in a surplus of labor? No. Consider how outstandingly this great labor force, liberated under socialism, performed: they have directed the additional labor power toward expanding the depth and breadth of production.
>
> In agricultural production, they added 156 laborers and changed grain production from two harvests a year to three. In 1974, the annual average yield per mu reached 2,190 jin (16,425 kg/ha). The multiple-cropping index for vegetables rose from 3.5 crops in 1965 to 4.5 in 1974, with yields reaching as high as 157 dan per mu. They also used the additional labor power to vigorously develop diversified operations. The number of laborers engaged in sideline production rose from 31 in 1970 to 76 in 1974, while total sideline income increased from more than ¥118,000 to more than ¥273,700. By achieving agricultural mechanization, Xuejiaku Production Team increased labor productivity. This not only failed to produce a population surplus, but also created favorable conditions for expanding and deepening production. In 1974, commune-member income averaged ¥545 per laborer and ¥336 per person, an increase of 48% over 1965, while the production team's collective assets grew ever larger: in 1974, ¥92,300 was retained as public accumulation, 2.24 times the 1965 figure.

[1] Mao Zedong, "Editor's Notes From Socialist Upsurge in China's Countryside," 269.

In the process of socialist accumulation, as agricultural mechanization is achieved and agricultural labor productivity increases, surplus labor will ultimately emerge in the countryside as well. In addition to advancing the depth and breadth of agricultural production, this labor force can also transfer to industrial production. This is a long process of transforming the agricultural population into an industrial population and a population working in industry and agriculture. This long process will be combined with changes in the distribution of productive forces, enabling industry to spread throughout urban and rural areas and flourish everywhere. The Xuejiaku production team mentioned earlier had 323 surplus laborers; apart from the 232 people added to agricultural and sideline production, 91 were transferred to support commune-and-brigade industry and other work. They remained in the countryside and small and medium-sized cities, rather than being concentrated in a few large cities as in capitalist society.

The achievement of agricultural mechanization and the development of commune-and-brigade industry will also promote further growth in rural productive forces, thereby strengthening the economies at the commune and brigade levels. On this basis, the commune and brigade will have assets to share, and commune members will broaden their horizons further. This will create the conditions for gradually increasing the degree of public ownership under socialist collective ownership by the working people and, ultimately, transitioning to socialist ownership by the whole people. Since the process of socialist accumulation is one that develops and strengthens socialist ownership and gradually raises its level, it is also a process in which the essential differences between workers and peasants and between urban and rural areas are gradually reduced and finally eliminated.

Socialist accumulation is objectively also necessarily a process of gradually narrowing and ultimately eliminating the essential difference between intellectual labor and physical labor, and of fully emancipating workers. In the process of capitalist accumulation, "**The condemnation of one part of the working class to enforced idleness by the overwork of the other part, and the converse.**"[1] In the process of socialist accumulation, the increase in labor productivity in industry and agriculture will not force some people to engage in overwork and leave others unemployed; rather, it will create the possibility for all workers to reduce labor

[1] Karl Marx, "Chapter Twenty-Five: The General Law of Capitalist Accumulation," in *Capital*, Vol. I.

intensity and, when conditions permit in the future, appropriately shorten working hours. All workers will therefore have more time to study culture and politics, criticize the bourgeoisie, and participate in various social activities and managerial work. At that time, workers will achieve all-round development in moral, intellectual, and physical education, and the essential difference between intellectual labor and physical labor will also gradually disappear.

As socialist accumulation develops, it will not only lead to a tremendous development of the social productive forces, but will also gradually change the nature of labor, which will ultimately become "**not only a means of life but life's prime want.**"[1] Thus, in the distribution of personal consumer goods, two results will follow: first, the hierarchical differences within distribution according to work will gradually narrow; second, the proportion of distribution according to need within the consumption fund as a whole will steadily increase. In other words, the process of socialist accumulation will cause bourgeois right to be increasingly restricted and ultimately eliminated, while communist elements will develop increasingly and ultimately transform socialist relations of production into communist relations of production. In short, the general law of socialist accumulation is fundamentally different from the general law of capitalist accumulation. The greater the wealth accumulated by socialist society, the greater the scale and capacity of social production; the material and cultural standard of living of workers will steadily rise, and the communist elements within socialist relations of production will accordingly accumulate step by step, creating ever more material and spiritual conditions for the transition to communist society. This is the general law of socialist accumulation. This law shows that socialist accumulation is not only the extended reproduction of social products, but also the extended reproduction of socialist relations of production; it demonstrates the necessary connection between socialist accumulation and its socioeconomic consequences, reveals the inevitable tendency of the development of socialist society toward communist society, and reflects the most essential aspect of socialist accumulation.

However, because socialist relations of production and the productive forces are both mutually compatible and mutually contradictory, and because bourgeois right still exists to varying degrees in all three aspects of the relations of production, the capitalist traditions or

---

[1] Karl Marx, "Critique of the Gotha Programme."

vestiges that are concentratedly manifested in bourgeois right will also be reproduced in the course of the extended reproduction of socialist relations of production. The bourgeoisie within the Party will inevitably exploit these capitalist traditions or vestiges, doing everything possible to strengthen and expand them, so that they occupy a dominant position in socialist relations of production and thereby achieve the restoration of capitalism. Therefore, if we regard socialist accumulation as merely an increase in social wealth, fail to restrict the bourgeois right contained within it, fail to promote the communist elements latent within it, and fail to actively organize the struggle of the proletariat against the bourgeoisie, then socialist accumulation may also be partially or even wholly transformed by the bourgeoisie within the Party into capitalist accumulation, thereby partially or even wholly realizing the restoration of capitalism. The general law of socialist accumulation is an objective law, independent of human will, but this absolutely does not mean that the operation of social laws can take place without passing through people's struggle. On the contrary, the law of socialist accumulation is essentially the law of class struggle. Only by upholding the all-round dictatorship over the bourgeoisie at every stage and in every sphere of revolutionary development, and carrying the socialist revolution through to the end, can we conform to the law of socialist accumulation and achieve the transition to communist society.

Our country's socialist revolution and socialist construction have lasted only a little over twenty years, and our country is still a developing socialist state. However, the general law of socialist accumulation has already exerted a powerful influence in our country. Lin Biao, Deng Xiaoping, and their associates spread slanders, claiming that "the country is rich while the people are poor," that there is "too little food and too little clothing," and that "things are worse today than in the past." The countless facts demonstrating the operation of the general law of socialist accumulation have ruthlessly crushed their shameless calumnies.

> Over the past twenty-plus years, our country's investment in capital construction has been substantial and has grown rapidly. The total investment in capital construction in 1973 was more than twenty-seven times that of 1950. Investment in capital construction is the principal form of socialist accumulation, and its growth indicates that socialist accumulation and social wealth in our country have undergone tremendous development. Along with the growth of socialist accumulation, socialist

> reproduction has also developed considerably. During the twenty-five years since the founding of the People's Republic (1949–1974), although the population grew by 60%, grain output increased 1.4 times, cotton output increased 4.7 times, and the output of various light-industry products increased severalfold or several dozenfold; the growth in heavy-industry products was even greater. As social production developed, the standard of living of the broad working people gradually improved. In 1973, the average wage of employees in our country was nearly 40% higher than in 1952, the final year of the period of recovery of the national economy; during the same period, the total wage bill increased more than fourfold. The unemployment phenomenon inherited from the old society had already been eliminated by 1958. From 1949 to 1973, the number of employees nationwide increased approximately sixfold; during the same period, total retail sales of consumer goods in our country increased 5.7 times, the total number of students enrolled in primary, secondary, and higher education increased 5.6 times, and the number of beds in health-care institutions increased more than seventeenfold.

History is the best witness. Over the past more than twenty years, socialist construction in our country has developed significantly, social accumulation has increased substantially, and our country has become a great socialist state that is initially prosperous and flourishing; at the same time, on the basis of developing production, the material and cultural life of our country's broad working people has also improved accordingly. Hundreds of millions of people were liberated long ago from the desperate hardship of hunger and cold in old China, and now not only do they generally have work to do, they have books to read, they have ample food and clothing, more importantly, they are now masters of their own affairs, their revolutionary fighting spirit is high, and they are striving in the three great revolutionary movements to achieve all-round dictatorship over the bourgeoisie. In today's New China, there are indeed some people who are "poorer" than before: they are the small handful of landlords and bourgeoisie who have been deprived of the means of production. This kind of poverty is excellent! Could anyone really allow them to restore the "paradise" they have lost, so that they could continue to ride on the backs of the people, throw their weight around, and grow rich?! The shameless slander of the likes of Lin Biao and Deng Xiaoping represented not only the desire of the overthrown landlords and bourgeoisie to restore the old order, but also the desire of the bourgeoisie within the Communist Party to seize power and restore the old order. However, in the face of our country's powerful dictatorship of the proletariat, this counterrevolutionary fantasy of the bourgeoisie within the Party has already been shattered and will continue to be shattered.

Chapter Twelve: Movement of Funds in Socialist Reproduction

Section One: Capital Funds Circulation in Socialist Reproduction

Socialist accumulation and extended reproduction manifest themselves not only as the movement of materials in physical form, but also as the movement of funds in value form. Many categories in the movement of funds during the socialist production process, such as finance, credit, profit, interest, and so forth, although they reflect the relationships between the socialist state and socialist enterprises, as well as among socialist enterprises themselves, are all manifestations of the commodity system and remnants of the private economy. The bourgeoisie inside and outside the Party can easily exploit these categories to carry out activities aimed at the restoration of capitalism. The Khrushchev-Brezhnev traitor clique restored capitalism by promoting the so-called "economic reform" amid calls to "make greater use of and improve the levers of finance and credit, namely, ruble supervision, price, profit, and so forth" (Khrushchev's report to the 22nd Congress of the Soviet revisionists). Liu Shaoqi, Lin Biao, and Deng Xiaoping also desperately pursued the revisionist line of putting profit in command and material incentives in order to restore capitalism in our country. Therefore, analyzing the laws governing the movement of funds during the socialist production process and clearly distinguishing between socialism and capitalism constitute an important aspect of opposition to revisionism and prevention of revisionism.

The movement of funds in the process of socialist extended reproduction runs through all aspects of production, exchange, distribution, and consumption. The movement of funds in the processes of production and exchange has already been analyzed to some extent in Chapter

Seven, “Socialist Economic Accounting System,” and Chapter Nine, “Currency and Currency Circulation of Socialist Society,” respectively. In this chapter, we will treat the movement of socialist funds in production, exchange, distribution, and consumption as a unified process and examine it further from an overall perspective.

In the process of socialist reproduction, the movement of funds must first pass through the circulation stage; unless it first passes through this stage, purchasing the means of production with money and paying the worker’s labor remuneration, socialist funds will remain in monetary form, unable to transform into the form of production or enter the second stage of the movement of funds, namely, the production stage. In the second stage of the movement of funds, labor power combines with the means of production. Through the productive consumption of the means of production, commodities are manufactured; the value of the means of production is transferred to the commodities, and the new value created by labor is also embodied in the commodities. At this point, socialist funds transform from the form of production into commodity form. The movement of funds then enters the third stage: the commodities produced are sold, and socialist funds revert from commodity form to monetary form. Having passed through these three stages, socialist funds successively assume three forms and ultimately return to their original starting point. The entire process of this movement constitutes the circulation of socialist funds. As socialist funds repeatedly circulate without interruption and remain in a state of continuous movement, this demonstrates that socialist reproduction proceeds smoothly and continuously, cycle after cycle.

The overall process of the circulation of socialist funds is composed of the circulation movements of many individual enterprises. The circulation of funds of each enterprise is mutually conditional upon and closely connected with that of every other enterprise, thereby forming a complex, interwoven movement of the total social funds circulation in socialist society and influencing the course of socialist reproduction. For example, if the funds of an enterprise in the first stage of circulation move smoothly and without obstruction, enabling money to purchase the required means of production and allowing monetary funds to be converted into productive funds, then the funds of another enterprise connected with it must necessarily be proceeding smoothly through the third stage of circulation and realizing the conversion of commodity funds

into Monetary funds. In this case, the former enterprise, having acquired the material conditions for reproduction, can enter the production stage in a timely manner; the latter enterprise, having sold its commodities, acquires the funds necessary to begin another new production cycle. Clearly, the smooth circulation of total social funds is a sign that socialist reproduction is proceeding smoothly. Let us further assume that an enterprise in the second stage of circulation organizes its production well, enabling productive funds to be converted into commodity funds relatively quickly. This creates favorable conditions for these commodities to enter circulation more rapidly; the other enterprise connected with it can then obtain the required means of production more quickly, enabling monetary funds to be rapidly converted into productive funds and thereby accelerating the movement of this enterprise's funds from the first stage to the second stage of circulation. Under these conditions, the time required for the former enterprise's funds to move from production into circulation is shortened, and the time required for the latter enterprise's funds to move from circulation into production is correspondingly shortened. Clearly, the accelerated circulation of total social funds is a sign that socialist reproduction is proceeding at an accelerated pace.

The above analysis concerns capital funds circulation under the conditions of socialist simple reproduction and does not address the situation in which capital accumulation is converted into extended reproduction. We should now further analyze the relationship between socialist capital funds circulation and socialist extended reproduction.

Socialist funds always begin their circular movement from a certain magnitude of value. When they enter the first stage of circulation, monetary funds are converted into an equal amount of productive funds through the purchase of the means of production and the payment of labor remuneration to workers. At this stage, no change in the magnitude of value occurs. The process then enters the second stage of circulation. During this stage, the material elements of the means of production combine with one another; through the workers' labor, the value of the means of production consumed is transferred, and new value is created. This new value created by the workers is divided into two parts: one is the portion of value used for the workers' personal consumption, namely, the portion used to pay labor remuneration; the other is an additional portion, namely, social net income. Finally, in the third stage of circulation, commodity funds are

converted back into monetary funds through the sale of commodities. At this point, social net income appears as an increase in monetary funds. The greater this increase in monetary form, the more funds are available for expanding socialist reproduction.

The social net income in the circulation of socialist capital funds is provided separately by countless socialist enterprises. As a social fund, it must first be concentrated in the hands of the socialist state through certain channels; then, in accordance with the objective proportional requirements of socialist extended reproduction and following planned distribution, it is reintegrated from the hands of the socialist state into the circulation of capital funds of the relevant enterprises. Finally, this social net income in monetary form, together with the enterprises' original capital funds, enters an expanded cycle of circulation that passes through three stages and involves the transformation of three forms, thereby advancing socialist extended reproduction.

The investment of the social net income of socialist society in the capital funds circulation movement also includes the circulation of non-productive funds that do not belong to enterprise capital funds circulation. For example, after social net income, as a social fund, has been concentrated in the hands of the state, part of it must be allocated to cultural, educational, and health departments for the purchase of instruments and medical equipment, or allocated to government organs and organizations for the purchase of office supplies, and so on. Compared with enterprise capital funds circulation, this circulation of non-productive funds has its own distinct characteristics. The difference is that the former passes only through the simple commodity circulation stage and does not return thereafter, whereas the latter successively passes through the three stages of circulation, production, and circulation. Ultimately, it not only returns to its original point of departure but also brings enterprises new social net income. These different characteristics of movement are determined by the different natures of the circulation of non-productive funds and enterprise capital funds circulation, as well as by their different roles in the socialist extended reproduction.

The capital funds circulation of socialism differs from the capital circulation under capitalism. The capital funds circulation of socialism is governed by the basic economic law of socialism, which requires that each stage of its circulation and each transformation of form

revolve around the needs of the socialist state and the people—the purpose of socialist reproduction. Under capitalism, the capital circulation is governed by the basic economic law of capitalism. The continuous transformation of capital from monetary form to form of production and then to commodity form is also the continuous circulation of capital from the stage of purchasing the factors of surplus value production, through the production stage of surplus value, to the stage of realizing surplus value. This circulation process always revolves around surplus value, the purpose of capitalist reproduction.

The basis of the capital funds circulation of socialism is socialist public ownership. This makes it possible to link the individual capital funds circulation of each state-run enterprise together in a planned manner, forming an organic whole. The capital funds circulation of each state-run enterprise and the social net income it generates are indivisible components of this overall movement. The funds required for socialist extended reproduction are not obtained spontaneously by each state-run enterprise from its own social net income. Instead, the socialist state concentrates the social net income turned over by the various enterprises according to the proportional relationships required by socialist extended reproduction, coordinates its allocation, and provides the funds in a planned manner. In this way, it becomes possible for the circulation of the total social capital funds of socialist society to remain coordinated and smooth. Under capitalism, the capital circulation is based on private ownership by capitalists. The individual capital circulation and value augmentation of each capitalist enterprise are divided by private ownership into separate, independent systems of movement, causing the circulation of total social capital to appear as a chaotic, interwoven condition formed by the spontaneous connections among countless individual capitals. This chaotic condition of capital circulation often occurs together with periodic economic crisis, and brings major destruction to the productive forces of capitalist society. Socialist funds, too, will frequently encounter certain contradictions in the course of their circulation; however, such contradictions generally will not lead to the periodic and overall crises that occur in the process of capital circulation. Under the guidance of the correct line, they can be resolved through the conscious adjustment inherent in socialism itself.

The circulation of capital funds under socialism differs from the circulation of capital under capitalism. However, the former has evolved from the latter and bears the traditions or traces inherited from capitalism, so it differs little from the old society. It therefore also provides fertile ground for the growth of capitalism and the bourgeoisie.

The circulation of socialist capital funds, with its continual transformation from the monetary form to the form of production and then to the commodity form, is a movement of the form of value. Engels said: "**The concept of value is the most general and therefore the most comprehensive expression of the economic conditions of commodity production.**"[1] Socialist society operates under the commodity system and, of course, cannot dispense with the movement of the form of value. Under the commodity system, the means of production required by individual socialist enterprises are allocated by the state according to plan; nevertheless, they still need to be purchased with monetary funds in accordance with the principle of exchange of equal values. The expenditures incurred by enterprises in production still need to be compensated in terms of value. The products produced by enterprises also still need to be realized in terms of value in order to obtain the monetary funds necessary to begin the next production cycle. Here, as in any society with commodity production, either the individual labor time required to produce a commodity is higher than the socially necessary labor time, or it is lower. Both situations are bound to occur. When producing the same commodity, socialist enterprises whose individual labor time is higher than the socially necessary labor time incur greater costs and earn less income, leaving their capital funds circulation in a disadvantageous position.

To change this disadvantageous position, enterprises have two options: one is to improve their capital funds circulation by means such as adopting new technologies, increasing production and practicing economy, and reducing costs, thereby making the individual labor time of the commodities they produce lower than the socially necessary labor time. The other is to exploit deviations between the prices and values of various commodities by producing, or producing more of, those commodities whose prices are higher than their values. If the latter method is followed, the result will be that commodities whose prices are higher than their values will flood the market, exceeding the amount socially needed, thereby affecting the realization of

---

[1] Frederick Engels, "IV. Distribution," in *Anti-Dühring*.

the value of this portion of commodities; ultimately, enterprises will once again have to switch to producing other commodities whose prices are higher than their values. In this way, the socialist planned economy will be undermined, and capitalist competition and unplanned production will reappear.

What, then, will be the situation of those socialist enterprises whose individual labor time is lower than the socially necessary labor time? These enterprises incur lower costs and have greater revenues; not only do they have no difficulty with the turnover of their funds, but after completing the normal turnover, they also have some surplus monetary funds. Under these circumstances, enterprises have two possible choices: one is to follow the normal path and promptly turn over the surplus monetary funds to the state (in the case of state-run enterprises) or the commune (in the case of commune-run enterprises) for unified distribution and use. The other is to use these surplus monetary funds through underhanded means to engage in illegal procurement of scarce materials outside the plan, and use them as bargaining chips to engage in the kind of capitalist free exchange carried out in the name of "cooperation." If this activity is repeated in cycles, it will inevitably cause shortages in the supply of some commodities on the market, affect the circulation of other enterprises' funds from the first stage to the second stage, and thereby affect their reproduction process. Under these circumstances, it may induce other enterprises to accumulate surplus monetary funds and engage in the procurement of scarce materials, ultimately disintegrating the socialist planned economy and allowing competition and unplanned production to reappear.

In the two situations described above, the leaders of enterprises who choose the latter path—even if they themselves have not appropriated any money from this activity and put it into their own pockets—are nevertheless engaged in an activity that is bourgeois in essence, and they themselves thereby become, or are in the process of becoming, members of the bourgeoisie within the Party. The bourgeoisie within the Party analyzed here are the bearers of bourgeois class relations and interests, and are products of various social relations. "**Whose creature he socially remains, however much he may subjectively raise himself above them.**"[1] As for how much of a share he personally has extracted from the total social product, that is irrelevant to the

[1] Karl Marx, "Preface to the First German Edition," in *Capital*, Vol. I.

analysis here. It is precisely through the capitalist-road activities of the bourgeoisie within the Party that activities such as embezzlement and theft, and speculation and profiteering, are able to develop; some people can transform the share of social net income created for society and the collective by the working people of the workers and peasants into surplus value, becoming new bourgeoisie who suck the blood and sweat of the working people.

In the process of socialist capital funds circulation, the bourgeoisie inside and outside the Party uses the movement of the form of value to engage in capitalist activities, which is the economic base for producing the leading figures of the bourgeoisie inside and outside the Party and their revisionist line. The revisionist line formulated by these leading figures of the bourgeoisie inside and outside the Party will, in turn, further strengthen and expand the activities of the bourgeoisie inside and outside the Party in taking the capitalist road. This is the origin of the ever-present class struggle and line struggle in the movement of socialist funds.

In the circulation of funds in socialist reproduction—whether the circulation of enterprise funds, the circulation of total social funds, or the circulation of social net income as it enters the circular movement—all are based on socialist public ownership and therefore follow laws of motion different from those of capital circulation in the capitalist reproduction process. It is governed by the basic economic law of socialism, with the fundamental aim of ensuring that the needs of the state and the people are met. However, if leadership of the socialist economy is usurped by the bourgeoisie within the Party and the revisionist line gains a dominant position, the circulation of socialist funds will be transformed into capital circulation and become "**The restless never-ending process of profit-making alone.**"[1] The practice of our country's socialist revolution and construction, as well as the experience of the international communist movement, has shown that the movement of socialist funds in circulation is an extremely complex curve of social and economic movement. As reflected in human cognition, it likewise cannot be a straight line or something understood clearly all at once; it must necessarily manifest itself as a curve. "**Any fragment, segment, section of this curve can be transformed (transformed one-sidedly) into an independent, complete, straight line, which then (if one does not see the wood for the trees) leads into the quagmire, into clerical obscurantism (where it**

[1] Karl Marx, "Chapter Four: The General Formula for Capital," in *Capital*, Vol. I.

is anchored by the class interests of the ruling classes)."[1] Therefore, amid the bewildering movement of forms of value, the linearity and one-sidedness of cognition alone can lead people into the error of taking the capitalist road. In nature, this error is of course different from the bourgeoisie within the Party, but it nevertheless demands the utmost vigilance. For it can easily be exploited by the bourgeoisie within the Party and be directed into the capitalist mire. Therefore, it is extremely important to persist, under the dictatorship of the proletariat, in constantly correcting the capitalist tendencies that arise in the circulation of socialist funds, while arming the broad ranks of economic workers with materialism and dialectics, overcoming idealism and metaphysics, analyzing every aspect of economic movement with the Marxist worldview, and recognizing the socialist direction.

[1] Vladimir Ilyich Lenin, "On the Question of Dialectics," in *Lenin's Collected Works*, Vol. 38.

Section Two: Fund Allocation in Socialist Reproduction

Allocation of Enterprise Funds and Corporate Finance

The capital funds circulation in socialist reproduction includes the circulation of enterprise funds, the circulation of total social funds, and the integration of social net income into the circulation process. Correspondingly, fund allocation in socialist reproduction also includes the allocation of the enterprise's own funds, the allocation of total social funds, and the allocation of social net income.

Now, let us first analyze the allocation of the enterprise's own funds.

The circulation of funds in socialist enterprises must pass successively through three stages and assume three forms. This does not mean that, during one period, all the funds of a socialist enterprise are entirely in one stage and exist entirely in one form, and that during another period they all enter the next stage and are entirely converted into another form. If this were the case, the reproduction of the enterprise could only proceed intermittently, losing its continuity. Therefore, an enterprise's funds must simultaneously exist in the three forms of monetary funds, productive funds, and commodity funds. A portion of monetary funds must always be maintained so that means of production can be purchased and labor remuneration paid at any time; a portion of productive funds must always be maintained so that production can proceed without interruption; and a portion of commodity funds must always be maintained so that goods are available for sale at any time. Only in this way can the enterprise's reproduction proceed continuously and without interruption, thereby maintaining its continuity.

The coexistence of monetary funds, productive funds, and commodity funds is an objective law governing the circulation of enterprise funds. The normal circulation of funds in socialist enterprises depends on the simultaneous presence of funds in these three forms. This gives rise to the problem that socialist enterprises must rationally allocate their funds among the three forms. This allocation is carried out through socialist enterprise finance.

The distribution of funds within socialist enterprises among their monetary form, form of production, and commodity form differs across different production sectors.

For example, a production sector such as the shipbuilding industry needs about half a year to build a ten-thousand-ton ship, and consumes several thousand tons of steel. Not only is its production cycle relatively long, but raw materials also account for a relatively large proportion of the total product value. Therefore, it requires relatively large amounts of funds for raw-material reserves and for work in progress, semi-finished products, and other items during processing; consequently, productive funds also make up a relatively large proportion of its fund structure. By contrast, in a production sector such as the rubber industry, the production cycle for a tire or a pair of rubber shoes is only two or three days. Therefore, in its fund structure, the proportion of productive funds used for raw-material reserves, work in progress, and semi-finished products is relatively much smaller than in the shipbuilding industry.

Moreover, under different supply and sales conditions, the structure of a company's funds also varies. However, as a general trend, productive funds always account for the largest proportion of the fund structure of production enterprises.

At the end of 1974, among the enterprises under the eight local industry bureaus in Shanghai, the proportions of the three forms of funds were as follows: monetary funds accounted for 6.77%, productive funds for 81.96%, and commodity funds for 11.87%. Among them, the Textile Industry Bureau had the highest proportion of productive funds, reaching 87.19%, while the Chemical Industry Bureau had a relatively low proportion of productive funds, though it still reached 71.81%.

One of the tasks of corporate finance is to actively carry out the allocation of corporate funds, reducing the monetary funds and commodity funds in the circulation process to the minimum extent possible, thereby correspondingly increasing the proportion of productive funds in the production process; at the same time, within the limits of possibility, the productive funds used for raw-material reserves—which, although belonging to the production process, are not actually engaged in the movement of production—should be reduced to the level necessary to ensure the normal operation of production, thereby correspondingly increasing the proportion of productive funds used for work in progress and semi-finished products that are actually engaged in the movement of production. Only in this way can a greater portion of the enterprise's funds be invested in the actual production process.

Allocation of Total Social Funds and Bank Credit

Socialist enterprises must maintain a rational proportional relationship among the three forms of funds in order to maximize their effectiveness in enterprise reproduction; they must also rely on the regular temporary redistribution of total social funds among enterprises to make continual adjustments.

The necessity of the regular, temporary redistribution of total social funds is specifically due to the fact that in the circulation of enterprise funds, on one hand, situations like such often arise: although the funds of some enterprises have already entered the third stage of circulation, the commodities have been sold, and the commodity funds have been converted into monetary funds, it is not yet necessary to immediately purchase raw materials and pay labor remuneration; a certain period of time must always elapse between the withdrawal of the depreciation fund and major repair fund and the renewal of fixed assets and the actual execution of major repairs. In other words, the monetary funds that flow back to some enterprises during the third stage of circulation do not all immediately enter the first stage of circulation; a portion is always temporarily unused. At the same time, the monetary-form labor remuneration received by workers from the allocation of enterprise funds may also be temporarily saved and unused. On the other hand, during the first stage of the circulation of funds, some enterprises need to temporarily supplement large amounts of monetary funds to purchase raw materials because of the peak production season or because it is the agricultural product procurement season; some other enterprises may also need temporary supplements of monetary funds for various other reasons. This makes it necessary for socialist states to mobilize, through the channel of bank credit, the portion of monetary funds temporarily unused in society and, under conditions of borrowing and repayment, redistribute it in a planned manner to meet some enterprises' temporary needs for monetary funds. In this way, enterprises in different circumstances will be able to adjust and support one another in their use of funds, making the circulation of total social funds smoother and their use more economical, thereby promoting the extended reproduction of socialism to advance more rapidly.

Socialist credit is a special form of movement that regulates the circulation of funds of individual enterprises within the circulation of total social funds. Its basic feature is the temporary acquisition and allocation, through the state bank and in the form of deposits and loans, of a portion of monetary funds, with repayment required within a specified period and the payment of a certain amount of interest.

Credit under different social systems reflects different relations of production.

Credit in capitalist society is the form of movement of loan capital. Financial capitalists lend money capital to industrial capitalists, who use the loans to purchase the means of production, hire wage laborers, engage in business activities, and extract surplus value. The industrial capitalists then distribute part of the surplus value to the financial capitalists in the form of interest, jointly dividing up the surplus value. Therefore, capitalist credit embodies the relation of exploitation of capital over wage labor.

Under socialism, credit reflects socialist relations of production. The credit relationship between the state and state-run enterprises is the principal aspect of socialist credit relations. Through credit, the state allocates funds to state-run enterprises in a planned and rational manner, encourages enterprises to economize on funds and use them effectively, and ensures the smooth progress of socialist extended reproduction.

The credit relationship between the state and the collective economy is an economically friendly, cooperative, and mutually supportive relationship between the working class and the broad masses of working peasants and handicraft workers. The collective economy deposits its temporarily idle monetary funds in the state bank to support socialist construction; at the same time, the state bank provides various loans to the collective economy to support its development. This new type of credit relationship is a means of developing the socialist economy and consolidating the worker-peasant alliance.

The credit relationship between the state and the working people, appearing in the form of people's savings, embodies an economic relationship in which the fundamental interests of the state and the working people are aligned. It both serves the working people by enabling them to save consumption funds and arrange their lives in a planned manner, and mobilizes temporarily

unused personal funds for extended reproduction, thereby promoting the development of socialist construction.

> Through credit, China can mobilize idle monetary funds held by enterprises and society, and these funds have increased year by year. During the twenty-one years from 1952 to 1973, total bank deposits increased by 7.4 times, while urban residents' savings grew nearly tenfold. Lending these funds to industry, commerce, and agriculture promoted the development of socialist industrial and agricultural production.

However, socialist credit, as the transfer of monetary funds on the condition of repayment and the charging of a certain amount of interest along with such transfer,[1] still embodies bourgeois right. The proletariat uses this bourgeois right of credit to serve the construction of socialism, whereas the bourgeoisie seeks to expand this bourgeois right of credit to serve the restoration of capitalism. The capitalist-roaders within the Party, Liu Shaoqi and Deng Xiaoping, once openly clamored for using credit to change the direction of enterprise management: only enterprises that made money would be approved for loans by the banks; for enterprises that did not make money, "the banks would not lend," and they would "be firmly blocked; do not be afraid that the workers will beat you with carrying poles." Under this black directive, around 1962, a number of key enterprises, military-industrial enterprises, and enterprises producing products urgently needed by the state were forced to shut down because they had no profit. Some enterprises controlled by bourgeois elements, in pursuit of high profits, even used the supply of certain scarce materials as bait to engage in capitalist "commercial credit"[2] with other enterprises under the name of "advance receipt of payment for goods," thereby undermining the planned

---

[1] The socialist state bank pays and charges a certain amount of interest on deposits and loans involving socialist enterprises. In addition, it pays a certain amount of interest on people's savings deposits. Interest on people's savings deposits is a redistribution of national income. It helps encourage savings and support socialist construction. However, as income obtained by holders of money through their ownership of money, it reflects bourgeois right. People who hold more money can obtain more money by saving more; if this is not restricted, it will widen disparities in personal income. In the more than twenty years since the founding of our country, we have gradually lowered the interest rate on people's savings, which is a restriction on bourgeois right in credit relations.

[2] Commercial credit is the foundation of the capitalist credit system. It is a form commonly used between industrial capitalists and commercial capitalists in which commodities are sold with deferred payment. Capitalist commercial credit plays a certain role in promoting commodity circulation; at the same time, however, it deepens the blindness of the market, conceals the crisis of overproduction, and intensifies the capitalist economic crisis. In socialist society, commercial credit has been abolished. Certain advance payments and advance-purchase deposits approved for inclusion in the state plan, such as advance payments and advance-purchase deposits for agricultural and sideline products, differ from unplanned commercial credit.

credit of the socialist state. Under this capitalist commercial credit, new and old bourgeois elements were able to deploy their tricks of speculation and profiteering, engage in fraud and deception, sell short and buy short, shift funds around to cover deficits, and carry out capitalist operations on a large scale by collecting several batches of deposits in advance for a single batch of commodities. Some state-run enterprises, however, were deceived as a result, affecting the planned movement of socialist funds and the smooth progress of socialist reproduction. Other bourgeois elements used usurious lending activities to exploit the working people. To restrict bourgeois right in the sphere of credit and strike at the activities of new and old bourgeois elements in using credit to undermine the socialist economy, the proletariat must concentrate all credit activities in the hands of the state bank and the rural credit cooperatives under its leadership; adhere to the revolutionary line of the proletariat; bring the entire movement of funds onto the track of socialist planned management; implement a low-interest lending policy; prohibit commercial credit and private usurious lending activities; forbid the conversion of money into capital; and ensure that total social funds always move along the socialist orientation.

As a credit institution, the socialist state bank is an important instrument for consolidating the dictatorship of the proletariat and building socialism. In many of the works Lenin wrote before and after the October Revolution, he expounded the principle put forward by Marx and Engels in *Manifesto of the Communist Party*: "**Centralization of credit in the hands of the state, by means of a national bank with State capital and an exclusive monopoly**"[1]; he further stated explicitly: "**The big banks are the 'state apparatus' which we need to bring about socialism**"; "**Without big banks socialism would be impossible.**"[2] The socialist bank is an instrument for the proletarian organization, statistical recording, and management of economic activity, as well as an instrument for restricting bourgeois right under the dictatorship of the proletariat and waging the struggle against the bourgeoisie.

> As early as the Second Revolutionary Civil War period, the Communist Party of China established a state bank in the Central Revolutionary Base Area of Jiangxi. During the War of Resistance Against Japan and the People's Liberation War, the revolutionary base areas successively established banks for the people,

[1] Karl Marx and Friedrich Engels, "Chapter II. Proletarians and Communists," in *Manifesto of the Communist Party.*

[2] Vladimir Ilyich Lenin, "Can the Bolsheviks Retain State Power?," in *Lenin's Collected Works*, Vol. 26.

in accordance with Chairman Mao's repeated directive that "**[The state] will own the big banks and the big industrial and commercial enterprises.**"[1] As the People's Liberation War progressed from victory to victory throughout the country, the People's Bank of China was established in December 1948, thereby establishing New China's unified banking and monetary system. The state banks and financial institutions of the Kuomintang reactionary regime were successively confiscated; the banks in China belonging to imperialist countries were dealt with; and the privately operated banks established by the national bourgeoisie underwent socialist transformation. Thus, within a very short period, China's socialist financial system was established.

China's socialist financial system currently consists of the People's Bank of China, the People's Construction Bank of China, the Bank of China, rural credit cooperatives, and others.

The People's Bank of China is our country's state bank, the center of national credit, settlement, and cash cashier operations, and also our country's currency-issuing bank. Through such functions as centralized credit management, organizing non-cash settlement, and managing currency issuance, the state bank promotes the development of industrial and agricultural production and commodity circulation, serving the development of the socialist economy with greater, faster, better, and more economical results and the consolidation of the dictatorship of the proletariat.

The People's Construction Bank of China is the department responsible for the finances of capital construction. It specializes in handling capital construction appropriations, loans, and settlements; organizing capital construction financial management and economic accounting; supervising the proper and economical use of capital construction funds; and preventing the waste of funds and materials.

Under the leadership of the People's Bank of China, the Bank of China conducts foreign exchange and international settlement operations, among other businesses, and promotes China's economic relations with other countries and the development of foreign trade.

Rural credit cooperatives are assistants to the state bank in rural financial affairs. Their share capital, accumulation, and other property are collectively owned by the commune members of the credit cooperatives. Under the leadership of the People's Bank of China, rural credit cooperatives mainly handle rural deposit and lending operations and, according to the needs of production development, provide loans for production expenses and equipment to the collective economy of rural people's communes. At the same time, they help poor and lower-middle peasants overcome temporary living difficulties that may arise and prevent and combat usurious lending activities.

In order to organize the circulation of total social funds in socialist society in a planned manner and restrict bourgeois right in the movement of funds, the state under the dictatorship of the proletariat concentrates all operations involving credit, settlement, and cash receipts and payments in the state bank, making it the national center for credit, settlement, and cash receipts

[1] Mao Zedong, "On New Democracy," in *Selected Works of Mao Zedong*, Vol. II, 353.

and payments. This is even more conducive to the rational allocation of total social funds and ensures the planned development of the national economy.

As the credit center of the nation, the socialist state bank can provide loans according to plan, ensuring that the allocation and use of credit funds correspond to the national economic plan and to the needs of the state and the people. It excludes obtaining loans through other channels, such as commercial credit, and excludes deciding whether to provide loans solely on the basis of profitability, thereby preventing the concentration and planning of socialist credit from being undermined and avoiding disruption to the planned, proportionate development of the national economy along a socialist orientation.

As a settlement center, the socialist state bank centrally organizes transfer settlements among all sectors of the national economy, enterprises, and units. Through transfer settlements, the state bank supervises illegal procurement outside the plan and other capitalist activities, ensuring that enterprises can make timely payments in ordinary exchanges so that payment and delivery are settled simultaneously. This is also an important link in restricting bourgeois right in the movement of funds, promoting the normal circulation and turnover of funds in socialist enterprises, and advancing the continuous development of socialist production.

As the national cash cashier center, the socialist state bank issues and withdraws currency according to the needs of production development and commodity circulation, and systematically regulates currency circulation so that it corresponds to commodity circulation. At the same time, it implements a strict cash management system: all enterprises, public institutions, government organs, and organizations must, in accordance with regulations, deposit in the state bank any cash exceeding the prescribed limit, while the bank manages the wage fund. By placing the unified management of cash cashier operations under the state bank, the state has created favorable conditions for planning cash cashier operations and systematically regulating currency circulation, thereby preventing the bourgeoisie from using currency to disrupt the market.

Distribution of Social Net Income and State Budget

The circulation of total social funds in socialist society always takes place on the basis of a continuously expanding scale. Therefore, the distribution of total social funds and the distribution of social net income are closely connected and mutually complementary.

Social net income is composed of the net income of individual socialist enterprises. Under socialist public ownership, the net income of individual state-run enterprises, taken as a whole, is not spontaneously used separately by the respective enterprises; rather, it is centralized through the state budget and redistributed in accordance with the requirements of the plan for developing the national economy.

In socialist states, the forms taken by the net income centralized from enterprises differ somewhat between enterprises under the two types of public ownership. For collective enterprises, taxation is used to centralize part of their net income for socialist construction. For state-run enterprises, in addition to taxation, profit remittances are also used, placing all their profits in the hands of the state. At present, payments from state-run enterprises and collective enterprises account for more than 99% of state budget revenue in China. With the continuous development of China's socialist economy, state budget revenue has grown rapidly. From 1950 to 1973, China's budget revenue increased approximately thirteenfold. There is now no debt-revenue item in China's state budget revenue; China has become a socialist state with neither domestic debt nor external debt. This is entirely different from the budget revenue of capitalist countries, where the overwhelming majority comes from personal income tax and other exorbitant taxes levied on working people, as well as from borrowing domestic and foreign debt to get by.

> Taxation in capitalist countries constitutes the participation of the bourgeois state in the bourgeoisie's division of surplus value and in the additional exploitation of working people. This exploitation has grown increasingly severe as contradictions within and outside capitalist countries have intensified and the state machinery has been strengthened, becoming an unbearable burden for the vast masses of working people.
>
> In the United States, of the federal government's nearly $300 billion in total budget revenue in fiscal year 1975, personal income tax accounted for $129 billion and social security tax for $73.6 billion,

increases of 9.3% and 11%, respectively, over fiscal year 1974. These two federal direct taxes alone accounted for 68% of total federal budget revenue. Divided equally among the national population, these two direct taxes amounted to a burden of $957 per American, an increase of 9.24% over the previous fiscal year.

In the Soviet Union, the bureaucratic monopoly bourgeoisie not only extracts surplus value in the production process but also exploits the working people in the form of a resident tax. In 1960, total resident tax revenue amounted to 5.6 billion rubles; by 1974, it had risen to 16.7 billion rubles, an increase of nearly twofold. In 1973, the resident tax paid on average by each Soviet worker's household amounted to more than 11% of its wage income.

In capitalist countries, the issuance of domestic public debt and the raising of external debt are also important items of budget revenue. By the end of 1974, the domestic debt issued by the United States had reached a total of $492.7 billion. The Soviet revisionists also relied on issuing domestic public debt and begging foreign countries for loans to get by. According to incomplete statistics, by 1970, the Soviet revisionists' domestic debt had reached as much as 31.6 billion rubles. The external debt begged from Western countries had also exceeded $20 billion since 1964, when Brezhnev came to power. The domestic and external debts of capitalist countries serve the interests of the monopoly bourgeoisie but must be repaid by the working people; in essence, they therefore constitute exploitation of the working people.

A socialist state collects most of the net income of socialist enterprises as a social fund through budget revenue and, after carrying out planned redistribution, forms budget expenditure. The budget expenditure of a socialist state is used for economic construction, cultural construction, national defense construction, state administration, foreign aid, and other purposes. Among these, expenditure on economic construction and cultural construction occupies the principal position. In China's state budget expenditure, the proportion used for economic and cultural construction increased from approximately 36% in 1950 to approximately 70% in 1973. As the proportion of expenditure in these areas increased, socialist construction in China has achieved substantial development, and the people's standard of living has improved markedly. In imperialist and social-imperialist countries, however, government expenditure for maintaining the violent machinery used to oppress the people, as well as military expenditure for external aggression and expansion, accounts for the largest proportion of budget expenditure. The budget expenditure of these countries serves to maintain the oligarchic rule of the monopoly bourgeoisie and hegemony.

> Taking US imperialism as an example, during the period from fiscal year 1971 to fiscal year 1975, direct military expenditure totaled $399 billion, averaging more than $79 billion per year. In the federal government budget for fiscal year 1976, the military budget reached as much as $94 billion. Including other indirect military costs, average military spending accounted for approximately one-third of total budget expenditure. Soviet revisionist social imperialism is carrying out aggression and expansion abroad, competing with US imperialism for world domination, frantically expanding its armaments, and implementing a policy of militarization of the national economy. Since 1971, Soviet military expenditure has exceeded that of the United States every year. Measured in US dollars, in 1974, Soviet expenditure on intercontinental ballistic missiles was approximately five and a half times that of the United States; the cost of its submarine-launched ballistic missile program was approximately 30% higher than that of the United States; and its expenditure on the strategic defense program was seven times greater than that of the United States. Nearly 20% of Soviet national income was wasted on military expenditure.

Under different social systems, the content of state budget revenue and budget expenditure differs, and consequently, the nature of the state budget also differs. The budget of a socialist state is a distribution relation formed in the process of redistributing the social net income of socialist enterprises in order for the socialist state to consolidate the dictatorship of the proletariat, develop economic, cultural, educational, healthcare, and other institutions, and fulfill its internationalist obligations. The budget revenue of a socialist state comes from the people, while budget expenditure is used for the people, embodying a new type of socialist relations. The budget of capitalist countries, by contrast, is a distribution relation formed when the bourgeoisie, relying on state power, appropriates the surplus value created by the working people through the redistribution of national income, using it to maintain its reactionary rule. It embodies relations of exploitation and being exploited, and of ruling and being ruled. The nature of the budget of a socialist state differs from that of the budget of capitalist countries; nevertheless, it remains an estimate of the monetary receipts and expenditures required by the state to perform its functions during a given period. Chairman Mao taught us: "**The state budget is a major issue; it reflects the policies of the entire state, because it stipulates the scope and direction of government activities.**"[1]

Under the correct line, the budget of a socialist state is used to guarantee, financially, the implementation of the line, principles, and policies of the proletariat; under the revisionist line,

[1] "Chairman Mao's Speech: The Situation Next Year Is Expected to Be Better Than This Year; the Economy Can Be Completely Restored Within Three to Five Years," *People's Daily*, December 4, 1949.

however, it could also be used entirely to serve, financially, that set of line, principles, and policies aimed at the restoration of capitalism. Capitalist-roaders within the Party, Liu Shaoqi and Deng Xiaoping, once used the State budget to intensify the implementation of the revisionist line of putting profit in command and material incentives: they adopted a policy of providing no subsidies to loss-making enterprises and a policy of granting corresponding reward funds to enterprises that fulfilled their profit-plan targets.

The budget revenue and budget expenditure of a socialist state are both planned. In the process of arranging and implementing the budget, the state may, in accordance with the objective laws governing the movement of funds, consciously achieve a balance between budget revenue and expenditure, while ensuring an appropriate reserve to meet the needs of temporarily circulating budget funds and coping with major unforeseen incidents.

"**Increasing production, practicing economy, and retaining more reserves are the three reliable lines of defense for consolidating the state budget.**"[1] Our state budget has achieved a balance between revenue and expenditure for the current year, with a slight surplus. This reflects the superiority of socialism.

The budget revenue and expenditure of imperialist countries and social-imperialist countries present an entirely different picture. The budget revenue of these countries is highly unstable, while budget expenditure continues to expand due to the arms buildup and militarization of the national economy. Consequently, their budget revenue and expenditure cannot be balanced, and huge budget deficits have become a characteristic feature of the state budgets of these countries.

> US imperialism ran budget deficits in twenty-one of the thirty years from fiscal year 1946 through fiscal year 1975. Over the twenty-nine years through fiscal year 1974, the cumulative net budget deficit of the United States had reached more than $173.1 billion. The Soviet revisionist social imperialist budget deficit amounted to 15.5 billion rubles from 1965 to 1967, and the budget deficit from 1968 to 1971 was estimated at 40.1 billion rubles. To make up for its enormous budget deficit, Soviet revisionist social imperialism could only resort to inflation, intensifying the exploitation of the working people.

---

[1] Quote from Chairman Mao. "Report on the Draft State Budget for 1954 (Summary)," *People's Daily*, June 18, 1954.

Socialist Public Finance

Fund allocation in socialist reproduction, including the allocation of funds within individual enterprises, the allocation of total social funds, and the allocation of social net income, is carried out, respectively, through corporate finance, bank credit, and the state budget. Corporate finance, bank credit, and the state budget together constitute the complete system of socialist fund allocation. Based on corporate finance, with bank credit as an important regulator and the state budget as the leading component, this fund-allocation system forms socialist public finance. Socialist public finance is an economic relationship formed through the allocation and redistribution of funds carried out with the socialist state as its principal entity.

The state is a product of class struggle and an instrument of class oppression; the state's fiscal activities can never be above classes. Socialist public finance is an instrument of the dictatorship of the proletariat. From the standpoint of funds, it ensures that the socialist state carries out its functions of the dictatorship of the proletariat and guarantees the smooth progress of the socialist revolution and socialist construction. It is an instrument through which all working people, under the leadership of the proletariat, struggle against the bourgeoisie inside and outside the Party, imperialism, social imperialism, and reactionaries in all countries; it is an instrument serving the socialist revolution and socialist construction.

> In the early period following the foundation of New China, the country faced a situation of inflation, soaring prices, market disorder, and extreme hardship in people's lives resulting from reactionary Kuomintang rule. Through unified financial and economic management, the state vigorously reorganized tax collection and strengthened cash management. On the basis of promoting the recovery and development of production, it rapidly achieved a balance between fiscal revenues and expenditures, curbed inflation, and stabilized market prices, thereby creating favorable conditions for consolidating the newly established proletarian revolutionary regime and launching large-scale socialist economic construction.
>
> During the period of the socialist transformation of the ownership of the means of production, the state deployed public finance as a tool to differentiate its treatment of capitalist industry and commerce in taxation and credit, according to the extent of their usefulness to the national economy and people's livelihood, as well as the degree to which they accepted socialist transformation. This effectively supported the state's efforts to utilize, restrict, and transform capitalist industry and commerce. The state also used taxation and credit to restrict the spontaneous forces of capitalism in urban and rural areas, support peasants and artisans in taking the path of cooperativization, and promote the socialist transformation of the

individual economy. At the same time, the state allocated funds in a planned manner through public finance to carry out economic construction centered on heavy industry, thereby promoting the rapid development of the state-owned economy.

After the socialist transformation of ownership of the means of production has basically completed, socialist public finance continues, through the allocation and reallocation of funds, to ensure the continuous development of the national economy and the increasingly consolidation and strengthening of socialist economic base, promote the continued deepening of the socialist revolution on the political, economic, and ideological fronts, and, to a certain extent, support the anti-imperialist and anti-hegemonic revolutionary struggles of the peoples of the world.

The finances of a socialist state are a tool of the dictatorship of the proletariat. However, under the revisionist line, they can also be used to serve the restoration of capitalism. In the poisonous weed "On the General Program" concocted at the instruction of the Capitalist-roader within the Party, Deng Xiaoping, it was proposed that the "three instructions as the key link" be used to rectify work in all areas, including financial work. So-called "financial rectification" meant opposing the devolution of authority over fiscal and credit management under the fiscal system; opposing the transfer of enterprise depreciation funds to localities and enterprises; and opposing measures such as increasing the proportion of investment in capital construction that localities could arrange independently—all in order to oppose Chairman Mao's instruction: "**Under unified planning by the central authorities, let localities undertake more tasks**." What replaced it was the revisionist practice of control, restriction, and suppression and of putting profit in command: digging in through the system, reclaiming power, squeezing through targets, cutting through expenditures, and blocking through regulations. Under the pretext of "rectification," this was the large-scale imposition of "sectional dictatorship" in the financial field, with the vain attempt to usurp from every angle the Party's unified leadership over financial work and restore the capitalist fiscal system.

Socialist public finance is built on the foundation of the rapid development of socialist production. The relationship between public finance and the economy is, in essence, the relationship between distribution and production. Production determines distribution, while distribution in turn affects production. Chairman Mao taught us: "**The general policy guiding our economic and financial work is to develop the economy and ensure supplies.**" "**While a**

good or a bad financial policy affects the economy, it is the economy that determines finance. Without a well-based economy it is impossible to solve financial difficulties, and without a growing economy it is impossible to attain financial sufficiency."[1] Chairman Mao's instruction scientifically revealed the dialectical relationship between public finance and the economy, and constitutes the fundamental guiding thought for work concerning socialist public finance.

The economy determines public finance. This means that, to ensure reliable fiscal revenue, we must first focus on the economy and work to promote the development of production. Only when the economy develops and production grows will fiscal revenue have abundant sources. "**To neglect economic development and the opening up of sources of finance, and instead to hope for the solution of financial difficulties by curtailing indispensable expenditures, is a conservative notion which cannot solve any problem.**"[2] Those who hold a purely fiscal viewpoint do not understand the dialectical relationship between the economy and public finance, or between production and distribution. They merely go around in circles over fiscal revenues and expenditures, pay no attention to production, and make no active effort to promote it; consequently, they ultimately remain unable to resolve the problem of balancing fiscal revenues and expenditures.

The economy determines financial affairs, but this by no means means that finance is merely a passive and reactive factor. The quality of financial work also has a major impact on economic development.

Socialist public finance promptly concentrates and distributes and redistributes, in the form of monetary funds, a portion of the social net income already created by the material production sectors, thereby promoting economic development and production growth. In addition, it actively serves production through the following channels: (1) promoting enterprises' efforts to strengthen economic accounting, tap production potential, and advance increasing production and practicing economy; (2) promoting competition among enterprises to compare,

---

[1] Mao Zedong, "Economic and Financial Problems in the Anti-Japanese War," in *Selected Works of Mao Zedong*, Vol. III, 111.

[2] Ibid, 111-112.

learn, catch up, and help, analyzing comparable factors of the same type of product, promoting the exchange of advanced experience among enterprises, continuously reducing product costs, and improving the quantity and quality of products; and (3) facilitating cooperation, promoting mutual assistance among enterprises, and helping enterprises resolve problems concerning materials, technology, and labor power. In serving production and promoting economic development, socialist public finance can play a beneficial role.

Socialist public finance is based on public ownership, closely linking corporate finance, bank credit, and the state budget, thereby forming a distribution system that encompasses the entire national economy and is far broader in scope than the state finances of any country based on private ownership. It includes not only redistribution outside the sphere of production, but also extends into the sphere of production itself. This distribution is carried out directly and in a planned manner according to the needs of socialist extended reproduction, and is a component of the planned development of the national economy. In this respect, socialist public finance already contains elements of the higher stage of communism, in which a unified social center carries out the planned allocation of the total social product. On the other hand, however, this distribution still takes the value form and continues to use such old economic categories as budget revenue, budget expenditure, deposits, loans, interest, and so on. These old economic categories are things that both the proletariat and the bourgeoisie can utilize. The proletariat must use them to serve the construction of socialism, while the bourgeoisie seeks to use them to undermine socialism and serve the restoration of capitalism. If the revisionist line gains a position of dominance, fiscal revenue and expenditure, deposits, and loans will be used to implement the policy of letting profit take command, gradually reviving capitalist relations of production.

When Liu Shaoqi advocated putting profit in command, he said: “A factory must make money; if it does not make money, it should close and stop paying wages,” and “Finance and the banks must be kept under tight control.” Deng Xiaoping likewise said: “We must take hold of finance; it was wrong in the past to oppose taking hold of profit in a one-sided way.” By linking finance with letting profit take command, he too was implementing precisely the same revisionist line as Liu Shaoqi. Throughout the socialist historical period, the struggle between the two classes and the two lines in distribution relations within finance has always been extremely

fierce. We must rely on the broad masses of workers and poor and lower-middle peasants, resolutely expose and criticize the conspiracy of the capitalist roaders in authority within the Party to expand bourgeois right in fiscal distribution and restore capitalism, so as to ensure the implementation of the revolutionary line and principles, policies of the proletariat. The masses of workers and peasants are the masters of the socialist economy and the direct creators of social wealth. They hate capitalism and revisionism most of all, and they hate most of all acts that violate the Party's line, principles, and policies, expand bourgeois right, and undermine socialism. Only by fully mobilizing the masses and relying on their strength to ensure adherence to the correct line and exercise control over public finance, thereby creating a dynamic situation in which the masses manage finance, can socialist public finance fully perform its role as an instrument of the dictatorship of the proletariat; can the path of socialist public finance serving production become ever broader; and can bourgeois right in socialist public finance gradually diminish and ultimately be eliminated with the development of the socialist revolution and socialist construction.

Section Three: Relationship Between Fund Allocation and Material Allocation in Socialist Reproduction

Relationship Between Budget Funds and Credit Funds in Fund Allocation

Socialist public finance uses the two different forms of the state budget and bank credit to allocate funds and form funds for centralized state use. This objectively requires the establishment of unified balancing between budget funds and credit funds. Establishing unified balancing between these two types of funds and studying their mutual relations is an important issue in socialist extended reproduction.

Budget funds and credit funds are interrelated. In addition to enterprise deposits, household savings, interest income, and currency issuance, the sources of credit funds also include bank credit funds saved in the budget of the socialist state and additionally appropriated by the state budget. The amount of loans issued by the socialist bank is not determined solely by the amount of its own sources of credit funds; in a certain sense, it is determined by the state's need to support production through credit. When sources of credit funds are insufficient, the problem is resolved through budgetary appropriations. At the same time, credit actively organizes deposits and rationally issues loans, narrowing the gap between credit revenue and expenditure as much as possible, thereby reducing the amount of credit funds additionally appropriated from the budget. By rationally issuing loans, credit promotes production and circulation and can also actively increase budget revenue. On the one hand, budget funds occupy an important position among the sources of credit funds; on the other hand, the arrangement of budget revenue and expenditure is significantly affected by the credit situation. It is precisely this intrinsic relationship between credit funds and budget funds that determines the necessity of balancing these two types of funds.

Budget funds and credit funds are two kinds of funds that differ in both nature and function. Budget revenue comes mainly from enterprises' net income. The budget funds formed through budget revenue are allocated by the state in a unified manner to enterprises for long-term

production investment and regular fiscal expenditures. Credit comes from the temporarily unused portions of enterprise capital funds circulation and from temporarily idle funds in society; deposits must be permitted to be withdrawn, and loans must be repaid on schedule. Funds of this nature can only be used for short-term temporary turnover needs. Therefore, to establish unified balancing between budget funds and credit funds, the first requirement is to use these two kinds of funds, which differ in both nature and function, separately and without confusion.

Long-term production investments such as capital construction, working capital that enterprises occupy on a regular basis, and fiscal expenditures such as non-productive funds (including culture, education, scientific research, sports, health, national defense, and state administration) all constitute state budget expenditure and should be covered by budget funds; credit funds must not be used arbitrarily for these purposes. Credit funds may only be used as short-term working capital. If credit funds are used for budget expenditure, this amounts to an unplanned increase in budget expenditure. As a result, it will disrupt the state's arrangements for funds and its plan for distributing materials, while concealing the true extent of budget expenditure. Moreover, when credit funds are used for budget expenditure, the corresponding loans inevitably cannot be recovered on schedule. If the loans stipulated in the plan cannot be reduced, and some loans cannot be recovered on schedule, the only option is to increase the issuance of currency without material support, thereby causing an imbalance in credit revenue and expenditure. Therefore, when banks issue loans: first, they must lend according to the plan, and must categorically refuse loans for budget expenditure outside the scope of the credit plan; second, loans must be linked to the movement of materials; and third, loans must be repaid on schedule. These principles are important conditions for achieving the separate use of credit funds and budget funds, and are also an important guarantee that credit funds will promote the normal progress of socialist extended reproduction.

The fact that budget funds and credit funds are both inherently interconnected yet differ in nature and function requires unified balancing of these two types of funds.

Unified balancing of budget funds and credit funds means making comprehensive, coordinated arrangements for the funds centrally controlled by the state, in accordance with the requirements of objective laws and the Party's principles and policies. First, it is necessary to

properly handle the relationship between investment in capital construction and the additional working capital required as production and circulation expand; second, it is necessary to further establish a reasonable boundary determining which working capital should be appropriated from the budget and which should be provided through bank credit.

The amount of centrally controlled funds allocated to capital construction and the amount allocated for additional working capital are major issues concerning the planned, proportionate development of the national economy. Capital construction is an important condition for extended reproduction; without an appropriate investment in capital construction, the scale and pace of socialist extended reproduction would be affected. However, in addition to meeting the needs of capital construction, the funds centrally controlled by the state must also take into account the additional working capital required by the expansion of production and circulation. If the need for this additional working capital is not met, it will not only affect extended reproduction but may even impede simple reproduction. Therefore, when making unified arrangements for funds, the state must first consider the additional working capital required in order to meet the needs of production turnover and commodity circulation; on this basis, it should actively tap potential and properly arrange investment in capital construction. If only the needs of capital construction are considered, resulting in the inappropriate crowding out of part of the working capital that should have been additionally allocated, normal production turnover and commodity circulation will be obstructed, leading to tight material supplies and some enterprises being forced to suspend operations while awaiting materials. Therefore, when allocating budgetary funds, the state must conduct a concrete study of the proportional relationship between capital construction investment and increases in working capital, explore the underlying regularities, and handle this relationship correctly.

The general principle governing which additional working capital required by socialist enterprises as production and circulation expand should be provided by the budget and which by credit is as follows: short-term, turnover-related working capital should be covered by credit funds, while working capital tied up for the long term should be covered by budget funds. In China, the quota portion of the working capital supplied to enterprises is provided through budgetary appropriations and constitutes the enterprises' own funds; the portion exceeding the

quota is covered by bank loans. As the socialist economy continues to develop, enterprises' need for working capital will also continue to increase. Therefore, on the basis of expanding production, the state must also periodically determine enterprises' quota working capital. If an enterprise's quota working capital is set too high, it will lead to the accumulation and waste of funds; if its own funds are insufficient, production and development will be affected, and bank loans will inevitably remain occupied for long periods, causing an imbalance in credit revenue and expenditure.

The balancing relationship between budget funds and credit funds is the concentrated expression of the overall funds balance of a socialist state. The mark of their unified balancing is as follows: first, whether budget funds and credit funds are strictly distinguished and used separately according to their different characteristics and functions, without arbitrarily appropriating credit funds for expenditures that should be arranged from the budget; second, whether credit revenue and expenditure are balanced on this basis, and whether the credit revenue and expenditure deficit can be supplemented and resolved from budget funds; and third, whether, after budget funds have supplemented the credit revenue and expenditure deficit, the budget itself can achieve a balance between revenue and expenditure. Only when all three aspects above have been achieved can it be said that unified balancing between budget funds and credit funds has been realized.

Relationship Between Allocation of Funds Through Budget and Credit and Material Allocation

The planned and proportionate development of the socialist national economy requires the movement of funds to be coordinated with the movement of materials. Therefore, once the balance between budget funds and credit funds has been achieved, attention must also be paid to properly managing the relationship between fund allocation and material allocation, and to achieving comprehensive balancing between budget and credit funds and materials.

Funds are the representatives of materials. Budget funds and credit funds are always directly or indirectly connected with certain materials, making equilibrium between the two

possible. On the other hand, funds and materials each have their own distinct laws of movement; they are not combined from beginning to end. A movement of funds does not necessarily involve the transfer of corresponding specific materials at the same time or in the same region.

For example, when an enterprise sells finished products, goods go out while money comes in; when it purchases means of production, money goes out while goods come in. These processes involving the movement of funds are all accompanied by corresponding transfers of materials. However, when an enterprise pays labor remuneration and remits taxes and profits to the state budget, and when the state budget allocates the taxes and profits it has received for expenditures such as economic construction and cultural construction, these processes involving the movement of funds are not accompanied by actual transfers of materials at the same time and in the same place. Again, when an enterprise in one locality obtains a loan from a bank to purchase agricultural-product raw materials in another locality, this process involving the movement of funds, although accompanied by a transfer of materials, does not occur in the same region. Because the movement of funds and the movement of materials are not combined from beginning to end in this way, fund allocation may become disconnected from material allocation and fall out of balance. Once this disconnection occurs, if it is not corrected promptly, the imbalance will develop further, eventually disrupting the smooth progress of extended reproduction, and providing illegal capitalist activities an opportunity to exploit and pave the way for the bourgeoisie within the Party to restore capitalism. To ensure the planned and proportionate development of the national economy, facilitate the smooth progress of socialist extended reproduction, and fully demonstrate the superiority of socialism, thereby supporting the struggle against the bourgeoisie in the economic sphere, it is necessary to achieve comprehensive balancing between the allocation of budgetary and credit funds and material allocation.

The comprehensive balancing between the allocation of budgetary and credit funds and material allocation generally refers to achieving overall balance, in terms of total volume, composition, and all regions, between the allocation of funds by the budget and credit and the allocation of materials within a given period.

Socialist reproduction first requires an overall balance between fund allocation and material allocation; that is, the total monetary purchasing power generated by budget expenditure

and credit issuance must remain balanced with the total supply of commodities and materials. Given the production volume and prices, the total amount of monetary funds that the budget and credit system should provide in exchange for commodities and materials is essentially determined. If the total funds allocated through the budget and credit system can be coordinated with the total quantity of materials, then, generally speaking, the contradiction between value and use value in the process of exchange can be resolved, and social reproduction can proceed smoothly. If the total funds allocated through the budget and credit system are not coordinated with the total quantity of materials, the exchange process will give rise to shortages or surpluses of commodities and materials, thereby hindering the smooth progress of social reproduction.

Then how can the allocation of funds by the budget and credit be made balanced in aggregate with the allocation of materials? Generally speaking, budget funds and credit funds are directly or indirectly linked to particular movements of materials. Therefore, as long as budget funds and credit funds are balanced in a unified manner, fund allocation will correspond in aggregate to the materials it controls. If budget funds and credit funds are not balanced in a unified manner—for example, if budget expenditure exceeds revenue, resulting in a deficit, or if bank credit involves a monetary injection exceeding the normal needs of production development—in such circumstances, some funds will lack corresponding material support. This will cause the total amount of funds allocated through the budget and credit to exceed the total amount of materials that they can control, thereby creating an aggregate imbalance between fund allocation and material allocation.

The fact that fund allocation and material allocation are balanced in aggregate does not yet mean that the various budget expenditures and credit disbursements can correspondingly satisfy the different needs of all economic departments of the national economy in terms of use value. This is because, when the state allocates funds through budget expenditures and credit disbursements, these funds have specific purposes and are used to purchase specific materials. On the other hand, however, the materials available for use in society do not necessarily correspond to needs in terms of their category composition. Therefore, in order to ensure that the specific purposes of various budget expenditures and credit disbursements are realized in specific forms of use value, it is also necessary, on the basis of balancing fund allocation and material

allocation in aggregate, to achieve a further balance in composition between fund allocation and material allocation—that is, to ensure that the proportions of the various uses of budget and credit expenditures correspond to the proportions of the material composition. For example, part of budget and credit expenditures is used to purchase means of production. This includes most investment in capital construction (excluding the portion consisting of capital-construction workers' wages); most of the additional working capital allocated to production departments (the portion used to purchase raw materials); and part of national-defense expenditures, among others. Another part of budget and credit expenditures is used to purchase means of consumption. This includes all institutional expenses and personnel expenses of economic departments, social, cultural, and educational departments, and administrative departments; as well as part of national-defense expenditures, among others. These different expenditures for purchasing means of production and means of consumption, formed through the allocation of budget funds and credit funds, necessarily require not only materials corresponding to them in aggregate value, but also materials whose specific forms of use value—that is, their composition—correspond to the specific purposes of these expenditures. If the allocation of budget and credit funds is consistent in aggregate with the materials it can command, but if the composition of materials is not consistent, the following situations will arise: when, in terms of fund allocation, budgetary and credit expenditures arranged for purchasing means of production exceed the portion of such materials at its disposal, while expenditures arranged for purchasing means of consumption are less than the portion of such materials at its disposal, this will inevitably result, in terms of material allocation, in a shortage of means of production and stockpiling of means of consumption. Conversely, when, in terms of fund allocation, budgetary and credit expenditures arranged for purchasing means of production are less than the portion of such materials at its disposal, while expenditures arranged for purchasing means of consumption exceed the portion of such materials at its disposal, this will inevitably result, in terms of material allocation, in stockpiling of means of production and a shortage of means of consumption.

There is also an issue of balancing among different regions nationwide between the allocation of the state budget and credit funds and the allocation of materials. Economic development is always uneven among regions. In some regions, the funds turned over to the state

budget and credit may be greater than the funds allocated by the state; in others, the funds turned over to the State budget and credit may be less than the funds allocated by the state. At the same time, funds may flow into and out of regions, as the movement of funds is relatively convenient, whereas the transfer of materials requires a period of transportation and allocation, which may result in a disconnect between the movement of funds and the transfer of materials. If the budget and credit funds that the state collects from and allocates to a region are not commensurate with the materials that the state collects and distributes from that region, this will create an imbalance between funds and materials within the region. If the movement of funds and the transfer of materials among regions are not commensurate, the same consequence will result. Therefore, when comprehensively balancing the allocation of the state budget and credit funds against the allocation of materials, the state must consider not only the balance in the total volume and composition of funds and materials nationwide, but also the balance among regions. The balance of funds and materials in each region is a component of the nationwide balance of funds and materials. Once the balance of funds and materials in each region is achieved, comprehensive balance in terms of both total volume and composition between nationwide budgetary and credit funds allocation and material allocation will be better ensured.

Part Five: Conclusion

Chapter Thirteen: Socialist Relations of Production and Class Relations

The socialist production process is both the process of producing and reproducing people's means of subsistence and the process of producing and reproducing socialist relations of production. We can now see that a series of movements of contradiction runs through this process. These are concentrated in class, class contradictions, and class struggle.

Today, this scientific conclusion has become a guiding principle for our struggle. However, in the history of the international communist movement, the emergence of this scientific conclusion and its being embraced by the broad working people came at a heavy cost.

Vulgar bourgeois economics, in order to portray capitalist relations of production as natural and eternal relations of production, once sought to prove that capitalists' profits are generated by the means of production—that is, the material elements of capital—while landowners' rent is generated by land or nature, rather than created by labor. By reifying capitalist relations of production, vulgar economics sought to portray the capitalist production process as one occurring solely between human beings and nature, thereby concealing the crime of the bourgeoisie's insatiable extraction of the surplus value created by workers. However, Marx crushed this scheme.

Marx pointed out: "**Capital is not a thing, but rather a definite social production relation, belonging to a definite historical formation of society, which is manifested in a thing and lends this thing a specific social character.**" "**Capital is a perennial pumping-machine of surplus-labor.**"[1] Through layer upon layer of analysis, Marx ultimately revealed the laws governing the emergence, development, and demise of capitalist relations of production, raising a brilliant beacon on the broad road to the emancipation of the proletariat.

---

[1] Karl Marx, "Chapter 48. The Trinity Formula," in *Capital*, Vol. III.

Like vulgar economics, the economics of modern revisionism portrays socialist relations of production as rigid and immutable relations of production, and reifies these relations of production. Voznesensky, a Capitalist-roader in the Stalin era, energetically propagated the following view: after the achievement of socialist industrialization and agricultural collectivization, "the question of who will defeat whom has been firmly and decisively resolved in favor of socialism not only in industry but also in agriculture"; "the contradiction between the productive forces and the relations of production has disappeared," and "the contradiction between social needs and the level of material production" has "become the basic internal contradiction of the socialist economy".[1] Thus, the socialist production process, like the capitalist production process depicted by vulgar economics, becomes merely the production and reproduction of people's material means of subsistence, with the issue of the production and reproduction of socialist relations of production no longer present. The contradiction between socialist relations of production and the productive forces is denied, and socialist relations of production are reified. This is the theoretical basis on which Voznesensky and later modern revisionists propagated "the theory of the productive force determinism" under socialism. Vulgar economics denies the contradiction between capitalist relations of production and the productive forces and reifies capitalist relations of production in order to defend capitalism; modern revisionist economics denies the contradiction between socialist relations of production and the productive forces and reifies socialist relations of production in order to conceal the socialist society's classes, class contradictions, and class struggle in order to restore capitalism. This criminal conspiracy temporarily succeeded in the Soviet Union after Stalin's death.

Chairman Mao inherited, defended, and developed the Marxist theory of the basic social contradictions, clearly pointing out that after the socialist transformation of ownership of the means of production had been basically completed, contradictions still existed between socialist relations of production and the productive forces, and between the superstructure and the economic base. Chairman Mao stated: "**In a word, China is a socialist country. Before liberation she was much the same as a capitalist country. Even now she practices an eight-**

[1] See the articles published by Nikolai Voznesensky in the Soviet Union's journal *Bolshevik*, the combined issues 1–2 of 1932, issue 21 of 1933, and issue 1 of 1940.

grade wage system, distribution according to work and exchange through money, and in all this differs very little from the old society. What is different is that the system of ownership has been changed." Chairman Mao stated: "**Our country at present practices a commodity system, the wage system is unequal, too, as in the eight-grade wage scale, and so forth. Under the dictatorship of the proletariat such things can only be restricted. Therefore, if people like Lin Biao come to power, it will be quite easy for them to rig up the capitalist system.**"[1] Chairman Mao also stated: "**Lenin said that building a bourgeois state without the bourgeoisie was intended to safeguard bourgeois right. We ourselves have built such a state, which is much the same as the old society: there are hierarchy, an eight-grade wage system, distribution according to work, and exchange of equal values.**"[2] This series of scientific propositions by Chairman Mao dealt a heavy blow to the fallacies propagated by modern revisionism in the field of political economy, accurately portraying socialist relations of production as an extraordinarily rich and vivid process of the movement of contradiction. In this movement of contradiction, because the ownership system changed, communist relations of production came into being and continued to develop. This showed that socialist relations of production had become different from capitalist relations of production. However, within socialist relations of production, "**In its first phase, or first stage, communism cannot as yet be fully mature economically and entirely free from traditions or vestiges of capitalism.**"[3] These capitalist traditions or vestiges are concentrated in bourgeois right, exist in the commodity system and distribution according to work, and thus exist throughout the entire process of social production, distribution, exchange, and consumption, which differs little from that of the old society. Consequently, socialist relations of production display a dual nature: on the one hand, communist elements are growing; on the other hand, capitalist traditions or vestiges are withering. This gives rise to a contradictory process within socialist relations of production in which one side waxes as the other wanes, or the other waxes as the one wanes.

---

[1] "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *People's Daily*, February 22, 1975.

[2] "The Cultural Revolution Shall Shine Forever—Commemorating the Tenth Anniversary of the May 16, 1966 'Notification' of the Central Committee of the Communist Party of China," *People's Daily*, May 16, 1976.

[3] Vladimir Ilyich Lenin, "Chapter V: The Economic Basis of the Withering Away of the State," in *The State and Revolution*.

Understanding the duality of socialist relations of production is a prerequisite for understanding the formation of the new bourgeoisie under socialism, particularly the bourgeoisie within the Party. Engels pointed out: "**The materialist conception of history starts from the proposition that the production of the means to support human life and, next to production, the exchange of things produced, is the basis of all social structure; that in every society that has appeared in history, the manner in which wealth is distributed and society divided into classes or orders is dependent upon what is produced, how it is produced, and how the products are exchanged.**"[1] On the basis of socialist public ownership of the means of production, planned production and exchange are carried out to meet the needs of all working people. Connected with this production and exchange, the two working classes of socialist society—the workers and collective peasants—organize, maintain, and develop it. Then, through what means does the new bourgeoisie, particularly the bourgeoisie within the Party, emerge in the course of socialist production and exchange?

As we have already seen, socialist production is direct social production intended to meet the needs of the state and the people; however, it is still commodity production. The so-called commodity production is value production. In the socialist production process, the production of this value is both unified with and opposed to production aimed at satisfying the needs of the socialist state and its people. As commodity production, the commodities produced are exchange values that can be exchanged for other commodities in a certain proportion. Thus, the social relations between people are transformed into social relations between things, and human capacities are transformed into the capacities of things. This situation is always, to a greater or lesser extent, unavoidable in socialist production units. Under capitalism, "**the power which each individual exercises over the activity of others or over social wealth exists in him as the owner of exchange values, of money. The individual carries his social power, as well as his bond with society, in his pocket.**"[2] Under socialism, because the commodity system is implemented, each enterprise (in fact, the leader of each enterprise) is also granted a certain

---

[1] Frederick Engels, "III [Historical Materialism]," in *Socialism: Utopian and Scientific.*

[2] Karl Marx, "The Chapter on Money," in *Grundrisse*, *Foundations of the Critique of Political Economy (Rough Draft)*.

degree of power in this respect; and only by granting such power can it establish ties with society. These are the economic conditions for producing for value and producing for profit.

These economic conditions constantly tempt management personnel in enterprises and economic departments to depart from the socialist purpose of production and embark on the path of producing for value and producing for profit. Once an enterprise or department takes this path, what it produces, how it produces, and how it exchanges its products come under the control of the law of value and the law of profit. The enterprise's production is in fact conducted according to capitalist principles rather than socialist principles, and the socialist enterprise has in fact begun to degenerate. The supply-and-demand relations originally established according to the law of planning are consequently disrupted. The phenomena of certain commodities being in short supply and certain commodities being in excess supply then come under the control of the law of supply and demand. Some people will exploit the intensification of supply-and-demand contradictions, use certain scarce commodities under their control as bargaining chips, acquire a measure of social power, force others to submit to certain demands, and appropriate part of the net income of the state and collective economy production units through legal and numerous illegal means, transforming it into surplus value. This is how new bourgeoisie elements emerge under socialist conditions. Engels pointed out: "**In societies moving in class antagonisms, wealth, in so far as it includes domination over men, is mainly and almost exclusively a domination over men exercised *by virtue of*, and *through the agency of*, the domination over things.**"[1] The new bourgeoisie and the bourgeoisie within the Party likewise exercise domination over people through and by means of domination over things. This is a process of interaction between the sphere of production and the sphere of circulation.

For an individual production unit, completing a greater output value and obtaining greater profit are directly reflected and obvious at a glance; however, the serious social consequences caused by putting profit in command are not necessarily directly reflected within a single enterprise. When analyzing the laws of the sphere of circulation under capitalist conditions, Marx once pointed out: "**The inner law, which prevails in these accidents and regulates them, is only visible when these accidents are grouped together in large numbers, where it remains,**

[1] Frederick Engels, "V. Theory of Value," in *Anti-Dühring*.

therefore, invisible and unintelligible to the individual agents in production."[1] Under socialist conditions, the same is true for the leaders of individual enterprises. Only from the overall interconnection of social production and exchange can people recognize that when an enterprise embarks on the pursuit of profit, it is in fact incubating capitalism and the bourgeoisie; the personnel leading such enterprises thus become capitalist roaders in authority within the Party and perform the function of incubating new bourgeoisie elements.

The bourgeoisie within the Party and the capitalist roaders in authority within the Party are formed in the process of pursuing profit. The capitalist-roaders implement the revisionist line of putting profit in command, and safeguard and represent the decayed capitalist relations of production. In the course of its formation, the bourgeoisie within the Party, on the one hand, incubates the new bourgeoisie and, on the other, protects the old bourgeoisie, thereby making itself the core force through which the entire bourgeoisie emerges within the Party. Therefore, to oppose only the bourgeoisie outside the Party without opposing the bourgeoisie within the Party is not thoroughgoing; under certain conditions, it has in fact served to protect the bourgeoisie as a whole. Only by first opposing the bourgeoisie within the Party can the entire bourgeoisie be fundamentally struck in a battle of the class struggle.

The bourgeoisie within the Party, as an exploiting class, like all other exploiting classes, also appropriates the labor of others without compensation. The ways in which it appropriates others' labor without compensation, however, differ according to the different social relations of production. Under capitalist relations of production, the representatives of the bourgeoisie within the Party merely share the leftovers of the monopoly bourgeoisie and can therefore appear only as the latter's appendages. Under the bureaucratic monopoly capitalist relations of production of social imperialism, the bourgeoisie within the Party has already become the possessor of the country's material wealth, appropriating all the surplus value created by workers and peasants and, within this class, rewarding contributions and dividing the spoils among themselves. Under socialist relations of production, the bourgeoisie within the Party is not yet the possessor of the country's material wealth. It generally performs the function of incubating a new bourgeoisie on the soil of the commodity system: by expanding bourgeois right in the sphere of distribution

---

[1] Karl Marx, "Chapter 48. The Trinity Formula," in *Capital*, Vol. III.

according to work, it appropriates large quantities of social products; it also adopts various concealed methods to redistribute the net income of state and collective economy units, seizes whatever share it can, and transforms this portion into surplus value. The bourgeoisie within the Party originally did not possess the means of production, yet it displays particular greed in appropriating social wealth and a particular infatuation with bourgeois right. It represents the decaying capitalist relations of production. This is the economic characteristic of this doomed class.

The bourgeoisie within the Party is a general concept. We say that the bourgeoisie within the Party is formed in production and exchange; this means that, to understand the formation of a class in socialist society, the most fundamental cause must be sought in changes in economic relations. But this certainly does not mean that the emergence of the bourgeoisie within the Party has no political or ideological roots, still less that the bourgeoisie within the Party has no political representatives in the realm of the superstructure. Chairman Mao pointed out: "**Among the capitalist roaders in authority within the Party, some are in the foreground and some are behind the scenes.**" Those who support these persons in power "**include, at the higher levels, some people working in communes, districts, counties, prefectures, and even in provinces and central departments who oppose carrying out socialism.**"[1] Whether in the foreground or behind the scenes, whether at lower or higher levels, the bourgeoisie within the Party, as a class, is united by its class interests; it will inevitably produce its political representatives and leading figures, and bind them together through a revisionist line. "When one prospers, all prosper; when one suffers, all suffer." Promoting the revisionist line and persisting in taking the capitalist road are the most essential political characteristics of the capitalist-roaders within the Party. In particular, the heads of the revisionist line have seized a large part of the power of the Party and the state. When they set about restoring capitalism, they are far more formidable and far more dangerous than the bourgeoisie outside the Party. Lin Biao persisted in pursuing revisionism, going so far as to fabricate the "Project 571" and launch a counterrevolutionary armed coup; Deng Xiaoping persisted in pursuing revisionism, instigated

[1] "The Theoretical Weapon for Carrying Out Revolution Under the Dictatorship of the Proletariat—Commemorating the Tenth Anniversary of the Publication of 'On the Correct Handling of Contradictions Among the People,'" *Hongqi*, no. 10 (1967): 34.

the fabrication of political manifestos for the restoration of capitalism such as "On the General Program," and fomented counterrevolutionary political riots such as the Tiananmen Square Incident. These shocking facts of class struggle exposed, with great force and clarity, the reactionary nature of the bourgeoisie within the Party.

To analyze the duality of socialist relations of production, it is necessary to understand both the bourgeois side and the proletarian side. In the reproduction process of socialist relations of production, capitalism and the bourgeoisie are continually generated on the one hand, thus we must establish the idea of protracted struggle; but, on the other hand, communism and the proletariat will inevitably continue to grow stronger. We must base our confidence in the ultimate victory of the communist cause on this fact. Under the dictatorship of the proletariat, the movement of socialist relations of production is not a spontaneous process; rather, it unfolds through the correct line formulated and correct leadership exercised by the proletariat and its revolutionary political party. The historical mission of the proletariat is to eliminate all classes and class differences, and to abolish bourgeois right, this important economic foundation that gives rise to capitalism and the bourgeoisie. In the movement of socialist relations of production, the degree of socialization of the means of production and planning of the national economy will continually increase; the ranks of the working class will expand; an increasing number of socialist new things embodying communist elements will emerge; social products will be distributed more effectively in accordance with the interests of the entire people, thereby enabling the communist elements of distribution according to need to grow increasingly. All this will inevitably strengthen restrictions on bourgeois right, drive the new and old bourgeoisie, including the bourgeoisie within the Party, onto increasingly narrow and isolated positions, and ultimately eliminate this class through protracted struggle.

Chairman Mao pointed out: "**In carrying out the socialist revolution, if you do not know where the bourgeoisie is, it is right inside the Communist Party—the capitalist roaders in authority within the Party. The capitalist-roaders are still taking the road.**"[1] Chairman Mao's wise judgment profoundly analyzed the changes in class relations and the characteristics of class struggle during the socialist period, and developed Marxism-Leninism.

---

[1] "Quotes From Chairman Mao," *People's Daily*, March 10, 1976.

Chairman Mao's scientific judgment enabled us to recognize that socialist relations of production are, in the final analysis, relations between the proletariat and the bourgeoisie; the bourgeoisie within the Party represents the decayed and moribund capitalist relations of production, is the principal target of the revolution under the dictatorship of the proletariat, and capitalist-roaders within the Party constitute the principal danger of the restoration of capitalism. This important instruction from Chairman Mao has further clarified the direction for continued revolution under the dictatorship of the proletariat, inspiring and guiding the proletariat and the broad masses of working people to struggle bravely to consolidate the dictatorship of the proletariat, prevent the restoration of capitalism, build socialism, and achieve communism.

Chapter Fourteen: Continued Revolution under the Dictatorship of the Proletariat

For the proletariat to wage its struggle successfully against the bourgeoisie inside and outside the Party, ensure that socialism defeats capitalism, enable communist elements to increase gradually, and gradually weaken the traditions or vestiges of capitalism, the most fundamental requirement is to uphold the all-round dictatorship of the proletariat over the bourgeoisie throughout the socialist historical stage and to continue the revolution under the dictatorship of the proletariat.

Marx once gave the simplest summary of the dictatorship of the proletariat: "**What I did that was new was to prove: (1) that the existence of classes is only bound up with particular historical phases in the development of production (historische Entwicklungsphasen der Production), (2) that the class struggle necessarily leads to the dictatorship of the proletariat, (3) that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society.**"[1] This brilliant exposition by Marx expressed with exceptional clarity the relationship and fundamental difference between Marx's theory of the state and the bourgeois theory of the state; it expressed the essence of Marx's theory of the state and the entire process through which the dictatorship of the proletariat emerges, develops, and disappears, encompassing all the tasks and practical content of the dictatorship of the proletariat. Lenin also pointed out: "**The transition from capitalism to communism is certainly bound to yield a tremendous abundance and variety of political forms, but the essence will inevitably be the same: the dictatorship of the proletariat.**"[2]

---

[1] Karl Marx, "Marx to J. Weydemeyer in New York," in *Marx/Engels Internet Archive.*

[2] Vladimir Ilyich Lenin, "Chapter II: The Experience of 1848-51," in *The State and Revolution*.

Chairman Mao pointed out: "**Why did Lenin say that there must be a dictatorship over the bourgeoisie? This question must be clearly understood. If it is not clearly understood, it will lead to revisionism. The whole country must be made aware of this.**"[1] Chairman Mao's directive has extremely important practical and far-reaching historical significance for upholding the dictatorship of the proletariat, preventing the restoration of capitalism, building socialism, and realizing communism.

What is the historical task of the dictatorship of the proletariat? Marx gave a concrete explanation of it in *The Class Struggles in France*, *1848 to 1850*, pointing out that the dictatorship of the proletariat is the necessary transitional stage for achieving the abolition of all class differences; the abolition of all relations of production that give rise to those differences; the abolition of all social relations corresponding to those relations of production; and the transformation of all ideas arising from those social relations. The proletariat can finally liberate itself only by liberating all humanity. To achieve this, the proletariat must consistently uphold an all-round dictatorship over the bourgeoisie in every sphere and at every stage of revolutionary development, until these four "alls" are eliminated from the earth, so that the bourgeoisie and all exploiting classes can neither exist nor arise again; it must never abandon the struggle halfway.

To fulfill the historical task of the dictatorship of the proletariat, it is therefore necessary to continue the revolution under the dictatorship of the proletariat.

In the 1850s, Marx put forward the brilliant idea that "**socialism is the declaration of the permanence of the revolution, the class dictatorship of the proletariat,**"[2] thereby linking the dictatorship of the proletariat with permanent revolution.

Lenin defended and developed the Marxist theory of permanent revolution under the conditions of the dictatorship of the proletariat in the Soviet Union. Lenin analyzed the new forms of class struggle in the course of the socialist revolution and pointed out: "**The socialist revolution is not one single act, not one single battle on a single front; but a whole epoch of intensified class conflicts, a long series of battles on all fronts, i.e., battles around all the**

---

[1] "Marx, Engels, and Lenin on the Dictatorship of the Proletariat," *People's Daily*, February 22, 1975.

[2] Karl Marx, "Part III Consequences of June 13, 1849," in *The Class Struggles in France*.

problems of economics and politics."[1] Lenin always emphasized that under the conditions of the dictatorship of the proletariat, the proletariat must wage an unremitting struggle against the bourgeoisie in every sphere—economic, political, ideological, military, and others—and must never stop halfway.

Chairman Mao, drawing on the Marxist-Leninist principle of permanent revolution, summarized the historical experience of the dictatorship of the proletariat and put forward the theory of continued revolution under the dictatorship of the proletariat.

Chairman Mao pointed out: "**In China, although socialist transformation has in the main been completed as regards the system of ownership, and although the large-scale, turbulent class struggles of the masses characteristic of times of revolution have in the main come to an end, there are still remnants of the overthrown landlord and comprador classes, there is still a bourgeoisie, and the remolding of the petty bourgeoisie has only just started.**" "**The question of which will win out, socialism or capitalism, is not really settled yet.**" "**The class struggle between the proletariat and the bourgeoisie, the class struggle between the various political forces, and the class struggle between the proletariat and the bourgeoisie in the ideological field will still be protracted and tortuous and at times even very sharp.**"[2] Chairman Mao once again put forward the scientific conclusion that the bourgeoisie is right inside the Communist Party. In the history of the development of Marxism and in the revolutionary practice of the international communist movement, this was the first clear assertion that, after the basic completion of the socialist transformation of ownership of the means of production, classes and class struggle still exist. It put forward the great theory of continued revolution under the dictatorship of the proletariat and called on the proletariat to carry the socialist revolution on the political front, economic front, and ideological and cultural front through to the end.

On the basis of an in-depth analysis of the basic contradictions in socialist society and the formulation of the theory of continued revolution under the dictatorship of the proletariat,

---

[1] Vladimir Ilyich Lenin, "The Socialist Revolution and the Right of Nations to Self-Determination," in *Lenin's Collected Works*, Vol. 22.

[2] Mao Zedong, "On the Correct Handling of Contradictions Among the People," 409.

Chairman Mao established for our Party the basic line for the entire socialist historical stage: "**Socialist society is a fairly long historical stage. During this historical stage of socialism, classes, class contradictions, and class struggle still exist; the struggle between the two roads of socialism and capitalism exists; and the danger of the restoration of capitalism exists. We must recognize the protracted and complex nature of this struggle. We must heighten our vigilance. We must carry out socialist education. We must correctly understand and handle the questions of class contradictions and class struggle, and correctly distinguish and handle antagonistic contradictions between the enemy and ourselves and contradictions among the people. Otherwise, a socialist state such as ours will move toward its opposite, degenerate, and witness restoration. From now on, we must speak of this every year, every month, and every day, so that we may have a relatively clear understanding of this question and follow a Marxist-Leninist line.**"[1]The proletarian revolutionary line formulated by Chairman Mao revealed the objective law of class struggle during the socialist period and is the only correct line for maintaining all-round dictatorship over the bourgeoisie. During the socialist period, the focal point of the struggle between two lines is whether to uphold or oppose the dictatorship of the proletariat. The Party's basic line formulated by Chairman Mao is a beacon shining brilliantly, illuminating the historic course of the continued revolution under the dictatorship of the proletariat by the entire Party, the entire army, and the people of the whole country.

After our people achieved basic victory in the socialist revolution concerning the ownership of the means of production, under the command of the proletarian headquarters headed by Chairman Mao, and in accordance with the great theory of continued revolution under the dictatorship of the proletariat, they have engaged in repeated struggles against the bourgeoisie, especially the bourgeoisie within the Party, achieving great victories. In the course of these struggles, they also discovered a form of struggle that involved "**openly,**

[1] "The Theoretical Weapon for Carrying Out Revolution Under the Dictatorship of the Proletariat—Commemorating the Tenth Anniversary of the Publication of 'On the Correct Handling of Contradictions Among the People,'" *Hongqi*, no. 10 (1967): 34.

comprehensively, and from the bottom up, mobilizing the broad masses to expose our dark side"[1]; this is the Great Proletarian Cultural Revolution.

The Great Proletarian Cultural Revolution is a great revolution in the field of the superstructure, a great political revolution under the conditions of the dictatorship of the proletariat, and may also be called China's second revolution. Under the correct leadership of the proletarian headquarters headed by Chairman Mao, during the Great Proletarian Cultural Revolution, after repeated struggles, the broad revolutionary masses have destroyed the two bourgeois headquarters of Liu Shaoqi and Lin Biao. This group of traitors colluded with foreign countries, attempting to change the Party's line and policies, overthrow the dictatorship of the proletariat, and restore capitalism. The essence of their revisionist line is the far right. The Criticize Deng, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend is a continuation and deepening of the Great Proletarian Cultural Revolution. During the Great Proletarian Cultural Revolution that Chairman Mao personally launched and led, he led our Party in defeating the counterrevolutionary revisionist line of Liu Shaoqi, Lin Biao, and Deng Xiaoping, further consolidating the dictatorship of the proletariat in our country. Maintaining socialism and consolidating the dictatorship of the proletariat in the vast and populous People's Republic of China is Chairman Mao's great contribution of world-historical significance to the contemporary era. At the same time, it has provided fresh experience for the international communist movement in opposing revisionism and preventing revisionism, consolidating the dictatorship of the proletariat, preventing the restoration of capitalism, and building socialism.

The revolution is developing, and the struggle continues. Chairman Mao pointed out: "**The present Cultural Revolution is only the first; many more will inevitably be carried out in the future. The question of who wins and who loses in the revolution can be resolved only over a very long historical period. If things go badly, the restoration of capitalism may occur at any time. All Party members and the people throughout the country should not think that having a second, third, or fourth Cultural Revolutions will make everything peaceful and trouble-free. Pay the utmost attention: we must never lose our vigilance.**"[2]

---

[1] Lin Biao, "Report to the Ninth National Congress of the Communist Party of China," *Hongqi*, no. 5 (1969): 14.

[2] "A Great Historical Document," *Hongqi*, no. 7 (1967): 11.

Chairman Mao further pointed out: "**After the democratic revolution, the workers and poor and lower-middle peasants did not stop; they wanted to make revolution. Yet some Party members no longer wanted to advance; some people retreated and opposed the revolution. Why? They have become high officials and want to protect the interests of the high officials.**" "**Will there still be a need for revolution a hundred years from now? Will there still be a need for revolution a thousand years from now? There will always be a need for revolution. There will always be some people who feel oppressed—the petty officials, students, workers, peasants, and soldiers—who do not like being oppressed by the bigwigs, and so they want revolution. Will contradictions become invisible ten thousand years from now? How could they become invisible? They can be seen.**"[1] We must always persist in waging struggles of various forms against the bourgeoisie within the Party, including struggles in the form of carrying out multiple Cultural Revolutions, until all poisonous snakes and ferocious beasts have been completely eliminated and the bright red sun shines throughout the globe.

The attitude toward the dictatorship of the proletariat and continued revolution under the dictatorship of the proletariat is a touchstone distinguishing Marxism from revisionism. All revisionists, old and new, have revealed their counterrevolutionary nature on this fundamental issue. The Soviet revisionist traitor clique declared: "The dictatorship of the proletariat is no longer necessary before the state withers away," and that the state replacing the dictatorship of the proletariat is the "state of the whole people." This fallacy fundamentally denies the scientific thesis of Marxism that classes, class contradictions, and class struggle exist throughout the entire socialist historical stage, and that the state is always an instrument of class struggle. It was under the cover of the fallacy of the so-called "state of the whole people" that the Soviet revisionist traitor clique overturned the dictatorship of the proletariat and restored the dictatorship of the bourgeoisie.

Chairman Mao comprehensively summed up the positive and negative experiences of the international communist movement, put forward a series of scientific theses, enriched the theoretical treasury of Marxism, and showed the Chinese people and the revolutionary people of

---

[1] "The Cultural Revolution Shall Shine Forever—Commemorating the Tenth Anniversary of the May 16, 1966 'Notification' of the Central Committee of the Communist Party of China," *People's Daily*, May 16, 1976.

the whole world the direction of struggle. In order to prevent the restoration of capitalism, we must understand why it is necessary to exercise the all-round dictatorship over the bourgeoisie, where the bourgeoisie is, and what the tasks of the dictatorship of the proletariat are; we must consistently uphold the basic theory and practice of exercising all-round dictatorship over the bourgeoisie, carry continued revolution under the dictatorship of the proletariat through to the end, and ultimately achieve communism.

Chapter Fifteen: Communism Is the Inevitable Trend of Socialist Development

Persisting in continued revolution under the dictatorship of the proletariat is intended to realize the Party's basic program: completely overthrowing the bourgeoisie and all exploiting classes, replacing the dictatorship of the bourgeoisie with the dictatorship of the proletariat, defeating capitalism with socialism, and ultimately realizing communism.

Communism is the loftiest ideal of the proletariat and the billions of working people, and the most complete, progressive, revolutionary, and rational system of thought and social system of the proletariat since the beginning of human history. Together with the billions of revolutionary people, millions of vanguard fighters of the proletariat, striving to realize communism, have sung the revolutionary battle song "The Internationale," showing no fear of sacrifice, advancing wave after wave, and continually smashing the suppression and sabotage of Imperialism, revisionism, and all reactionaries. In vast regions of the earth, they have established socialist society and launched increasingly powerful socialist revolutionary movements in other regions, fighting heroically to win the victory of socialism throughout the world.

Socialist society is the primary stage of communist society, an immature communist society. The development of socialist society is a process in which nascent communist elements gradually grow while the traditions or vestiges of dying capitalism gradually disappear. Viewed from the general laws of social development, socialist society is the necessary preparation for communist society, while communist society is the inevitable trend of socialist society's development. In socialist society, the hearts of the people, the Party, and Party members are oriented toward communism. However, the development of history is always tortuous. In the course of the development of socialist society, the possibility cannot be excluded that, for a certain period, bourgeois right may be consolidated and expanded, capitalist elements may

continue to grow, occupy a dominant position in the superstructure and economic base, and restoration of capitalism may occur throughout society. Of course, from the perspective of history, such restoration of capitalism is temporary and cannot alter the general trend of historical development. The basic task of the proletariat during the socialist historical stage is, in all fields and at every stage of revolutionary development, to persist in the all-round dictatorship over the bourgeoisie, criticize and restrict bourgeois right, break down bourgeois right ideology, gradually eliminate the traditions or vestiges of capitalism, continuously improve socialist relations of production and the superstructure, constantly raise the communist consciousness of the broad masses of the people, and promote the high development of the productive forces; to repel every resistance of the bourgeoisie; to continually expose and criticize the bourgeoisie within the Party, expose and criticize the revisionist line pursued by the bourgeoisie within the Party, thoroughly defeat the bourgeoisie, block the road to restoration of capitalism, and ultimately eliminate all classes and class differences in order to realize the supreme ideal of communism. "**The ultimate aim for which all communists strive is to bring about a socialist and communist society.**"[1]

Then, what kind of society, after all, is the communist society for which generation after generation of the proletariat and working people devote their entire lives to the struggle?

A communist society is a society in which classes and class differences have been completely abolished; a society in which all people possess a high level of communist consciousness and moral character; a society in which all people display a high degree of enthusiasm and self-consciousness in labor; a society with an extraordinarily abundant supply of social products; a society that implements the principle of "from each according to their ability, to each according to their needs"; and a society in which the state has withered away. As Marx said: "**In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more**

[1] Mao Zedong, "The Chinese Revolution and the Chinese Communist Party," in *Selected Works of Mao Zedong*, Vol. II, 331.

abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!"[1]

According to Marxist theory concerning scientific communism, humanity's transition to communist society requires the proletariat and working people of socialist states to unite with the proletariat and working people of the entire world, engage in a prolonged common struggle marked by extraordinary hardship and unwavering perseverance, gradually achieve the complete victory of the proletarian world revolution, and establish a new world without imperialism, capitalism, or a system of exploitation, thereby creating the conditions for the realization of communism. These conditions are as follows:

First, to completely eliminate all classes and class differences, eradicate the soil in which the bourgeoisie can exist and arise, and completely abolish bourgeois right.

In socialist society, class struggle always exists between the two antagonistic classes, the proletariat and the bourgeoisie. If the proletariat does not thoroughly defeat and completely eliminate the new and old bourgeoisie, especially the bourgeoisie within the Party, and does not thoroughly eradicate the soil in which the bourgeoisie can exist and arise, capitalism is in danger of restoration. Under such conditions, it is of course out of the question to transition to communist society.

In socialist society, the bourgeois right inherited from the old society will exist for a long time, as will the difference between workers and peasants, the difference between urban and rural areas, and the difference between intellectual labor and physical labor. The bourgeoisie, especially the bourgeoisie within the Party, will inevitably use the part of power they have usurped to oppose the proletariat and socialism and restore capitalism by consolidating, expanding, and strengthening bourgeois right and the three major differences. Throughout the entire socialist historical stage, there will always be a struggle between the bourgeoisie's restoration of capitalism and the proletariat's opposition to restoration. However, communism is a historical inevitability. Under the movement of the basic contradictions in socialist society and the operation of the basic economic law of socialism, and under the guidance of the Party's basic

[1] Karl Marx, "Critique of the Gotha Programme."

line for the socialist historical stage, the proletariat will inevitably create the conditions to gradually restrict and ultimately eliminate bourgeois right, gradually narrow and ultimately eliminate the three major differences, completely destroy the foundation on which the bourgeoisie ultimately relies for its existence, and realize communism.

A communist society requires "**[generate] a race of producers with an all-round development.**"[1] What are fully developed producers? What is the path to creating fully developed producers? Chairman Mao's "May 7 Directive" answers both what fully developed producers are and points out a glorious path for creating fully developed producers.

Chairman Mao pointed out: "**Workers should, in addition to their main industrial work, learn military affairs, politics, and culture, and take part in the socialist educational movement and in criticizing the capitalist class. Under adequate conditions, they should also engage in agricultural production, following the example of the Tach'ing Oilfield.**

The communes do their main agricultural work (including forestry, fishing, animal husbandry, and subsidiary trades), but they must also learn military affairs, politics, and culture. When circumstances allow, they should collectively set up small-scale factories and take part in criticizing the capitalist class.

The students are in a similar position. Their studies are their chief work; they must also learn other things. In other words, they ought to learn industrial, agricultural, and military work in addition to class work. The school years should be shortened, education should be revolutionized, and the domination of our schools by bourgeois intellectuals should by no means be allowed to continue.

Under favorable conditions, people in commerce, service trades, and party and government offices should do likewise."[2]

Fully implement Chairman Mao's "May 7 Directive," so that every worker among the workers, peasants, merchants, students, and soldiers, as well as workers in state organs, can work

---

[1] Frederick Engels, "III. Production," in *Anti-Dühring.*

[2] "The Whole Country Should Become a Great School of Mao Zedong Thought—Commemorating the Thirty-Ninth Anniversary of the Founding of the Chinese People's Liberation Army," *People's Daily*, August 1, 1966. (Note from translator: This is quoted from "Notes On The Report Of Further Improving The Army's Agricultural Work By The Rear Service Department Of The Military Commission."

with a hammer, farm with a hoe, fight the enemy with a rifle, and criticize the bourgeoisie with a pen. In this way, large numbers of new communist people with all-round development will inevitably emerge, and the three major differences and bourgeois right left over from the old society will inevitably gradually disappear. Therefore, the path of the May 7 Directive is the only path leading to communist society.

Second, establish communist ownership by the whole people of the means of production as society's sole economic base.

For a fairly long period in socialist society, there exist two forms of socialist ownership: ownership by the whole people of the means of production and collective ownership by the working people. In addition, remnants of individual ownership persist, and bourgeois right has not yet been completely abolished in the sphere of ownership. While socialist collective ownership has not yet been elevated to socialist ownership by the whole people, and while the remnants of individual ownership have not yet completely disappeared, peasants inevitably retain some inherent characteristics and habitual influences of the small producers. Under these circumstances, spontaneous capitalist tendencies inevitably exist, as does the soil for the emergence of new rich peasants. At the same time, socialist ownership by the whole people is not entirely pure; it also bears traditions or traces of the old society, which can be exploited by the bourgeoisie, especially the bourgeoisie within the Party, to restore capitalism. When leadership is usurped by the capitalist-roaders, ownership by the whole people and collective ownership may degenerate into capitalist ownership. Ensuring that leadership of enterprises under the two forms of socialist public ownership remains in the hands of true Marxists and the broad masses of working people is a fairly long process of struggle. Therefore, on the one hand, the socialist state under the dictatorship of the proletariat must defend public ownership of the means of production; on the other hand, as the social productive forces develop and people's ideological consciousness rises, collective ownership must, where conditions permit and in a planned manner, advance from the lower to the higher level and from the small to the large, and the transition from socialist collective ownership to socialist ownership by the whole people must be achieved. The transition from that portion of bourgeois right in the sphere of ownership that has not been completely abolished to the ultimate abolition of this portion of bourgeois right is a

fairly long process of development. Even when ownership by the whole people has become society's sole economic base, its nature will remain socialist. It must undergo a fairly long process before developing into communist ownership by the whole people. The people's commune created by our country's people is one of the best organizational forms for resolving this transitional problem.

Third, develop the social productive forces to a high level, make social products extremely abundant, and realize the communist principle of "from each according to his ability, to each according to his needs."

The transition from socialist society to communist society is a tremendous leap in relations of production. Highly developed productive forces are the material condition for achieving this leap. Communist relations of production are based on communist ownership by the whole people of the means of production. At that time, commodity-money relations will no longer exist, and socialist direct social production will be transformed into communist direct social production; consequently, the labor embodied in social products will be measured directly by labor time, and products will be distributed directly by society; although contradictions between advanced and backward, and between correctness and error, will still exist in people's mutual relations in production, they will lose their class character; in the distribution of personal consumer goods, the principle of "from each according to their ability, to each according to their need" will be implemented. None of this can be achieved without the highly developed productive forces and the great abundance of social products. Marxism teaches us: "**So long as the total social labor only yields a produce which but slightly exceeds that barely necessary for the existence of all; so long, therefore, as labor engages all or almost all the time of the great majority of the members of society — so long, of necessity, this society is divided into classes.**" "**[Division into classes] was based upon the insufficiency of production. It will be swept away by the complete development of modern productive forces.**"[1] In communist society, the level of development of social productive forces will be incomparable with that of the productive forces of the present era. Therefore, the realization of communism necessarily requires the tremendous development of social productive forces.

---

[1] Frederick Engels, "II. Theoretical," in *Anti-Dühring*.

Fourth, a tremendous improvement in the communist ideological consciousness and moral qualities of the entire people, together with a high degree of enthusiasm and self-awareness in work.

The high development of the social productive forces, although one of the important conditions for realizing communism, cannot by itself make the transition to communist society. If we proceed according to Deng Xiaoping's "white cat, black cat" theory, we will inevitably end up like the Soviet Union, with "satellites rise into the heavens, red flag falls to the ground," regressing back to capitalism. In socialist society, because the bourgeoisie exists and because the soil that gives rise to capitalism and the bourgeoisie exists, bourgeois ideology and traditional bad habits will also persist for a long time and will inevitably infiltrate the ranks of the working people, as well as political life and Party life. On the ideological and cultural front, the proletariat must uphold all-round dictatorship over the bourgeoisie and carry out a long-term, tenacious struggle against it. Only by conducting long-term, patient socialist and communist ideological education among the working people can we gradually eliminate the influence of bourgeois ideology, continuously raise people's communist consciousness, and create the spiritual conditions for labor to become people's primary need in life. "**Communism is the highest stage in the development of socialism, when people work because they realize the necessity of working for the common good.**"[1] In socialist society, in the course of struggling against the bourgeoisie inside and outside the Party and transforming the objective world, the working masses also transform their own subjective world. The Great Proletarian Cultural Revolution, the Criticize Lin, Criticize Confucius Movement, and the Criticize Deng, Counterattack the Right-Deviationist Reversal-of-Verdicts Trend have raised the consciousness of hundreds of millions of people in our country regarding class struggle and line struggle, and expanded the positions of Marxism in every field. Chairman Mao taught us: "**Study books conscientiously and master Marxism.**" Expanding the dissemination of communist ideas among the cadres and the masses, and organizing cadres and the masses to conscientiously read the works of Marx and Lenin and

[1] Vladimir Ilyich Lenin, "Speech Delivered at the First Congress of Agricultural Communes and Agricultural Artels," in *Lenin's Selected Works*, Vol. 30.

the works of Chairman Mao, are of great significance. "**The epoch of world communism will be reached when all mankind voluntarily and consciously changes itself and the world.**"[1]

Fifth, imperialism, capitalism, and the system of exploitation will be eliminated throughout the world, and the state will wither away of its own accord.

While imperialism, capitalism, and the system of exploitation still exist in the world, can one or several socialist states achieve final victory in the socialist revolution and socialist construction? This is a major Marxist theoretical question of our time.

After the October Revolution, Lenin analyzed the Soviet Union's domestic and international environment and clearly pointed out: "**We are surrounded by people, classes, governments who openly express the utmost hatred for us. We must remember that we are always a hair's breadth away from invasion.**"[2] "**Final victory is only possible on a world scale, and only by the joint efforts of the workers of all countries.**"[3] The Khrushchev and Brezhnev traitor clique completely betrayed Lenin's final instructions, repeatedly proclaiming that in the Soviet Union, "socialism has not only achieved complete victory but also achieved total victory"; the Soviet Union had already "eliminated the socioeconomic possibility of the restoration of capitalism." The Soviet revisionist traitors fabricated and propagated this "theory" with the aim of concealing domestically the crimes of restoring capitalism, while abroad they could recklessly compete with the other superpower, US imperialism, in a bid to dominate the world.

Chairman Mao significantly developed Leninism's theory that socialism cannot achieve final victory independently in one country. In response to modern revisionism's distortion and betrayal of Leninism, Chairman Mao clearly pointed out: "**According to the Leninist view, the final victory of a socialist state requires not only the efforts of its own proletariat and the broad masses of the people, but also the victory of world revolution; it requires the elimination throughout the earth of the system in which people exploit people, so that all humanity may be liberated. Therefore, it is wrong, contrary to Leninism, and inconsistent**

---

[1] Mao Zedong, "On Practice," in *Selected Works of Mao Zedong*, Vol. I, 308.

[2] Vladimir Ilyich Lenin, "Ninth All-Russia Congress of Soviets," in *Lenin's Collected Works*, Vol. 33.

[3] Vladimir Ilyich Lenin, "Report On Foreign Policy," in *Lenin's Collected Works*, Vol. 27.

with the facts to declare lightly that our revolution has achieved final victory."[1] Chairman Mao's directive criticized the so-called "theory" of the Soviet revisionists that socialism could achieve complete and thorough "victory" in one country, and pointed out to the proletariat of the entire world the fundamental direction of their common struggle.

The revolutionary struggles of the peoples of all countries have always been interconnected. Until the peoples of other countries achieve victory in the socialist revolution and eliminate the system in which people exploit people, one or several socialist states cannot achieve final victory. For as long as imperialism and the system in which people exploit people continue to exist in the world, international class struggle will inevitably be reflected within socialist states; socialist states will therefore always face the possibility of the restoration of capitalism, as well as the threat of subversion and aggression by international imperialism and social imperialism. Under these conditions, the functions of the dictatorship of the proletariat must not be weakened either domestically or internationally; rather, they must be strengthened. "**The road to the abolition of classes, to the abolition of state power and to the abolition of parties is the road all mankind must take; it is only a question of time and conditions.**" One must be "**working hard to create the conditions in which classes, state power and political parties will die out very naturally and mankind will enter the realm of Great Harmony.**"[2]

The proletariat and the broad masses of working people in socialist states have an inescapable internationalist obligation: to do everything within their power to support world revolution; to unite, on the basis of Marxism, with the genuinely Marxist parties of all countries and with the international proletariat and working people; to eradicate throughout the world the system in which people exploit people; to liberate all humanity; to secure the final victory of socialism; and to fight to the very end for the realization of the great ideal of communism throughout the world.

The theory of continued revolution under the dictatorship of the proletariat proposed by Chairman Mao on the basis of Marxist principles of scientific communism and in conjunction with the practice of the international communist movement is a guiding beacon for building a

---

[1] "Highest Directive," *Hongqi*, no. 5 (1969): 3-4.

[2] Mao Zedong, "On the People's Democratic Dictatorship," 411-412.

socialist society and preparing the conditions for realizing a communist society. Based on the theory of continued revolution under the dictatorship of the proletariat, the proletariat takes class struggle as the key link and persists in exercising all-round dictatorship over the bourgeoisie in every sphere and at every stage of revolutionary development. This is the fundamental guarantee for building a socialist society and transforming it into a communist society. State power under the dictatorship of the proletariat, "**Like food and clothing, this power is something a victorious people cannot do without even for a moment. It is an excellent thing, a protective talisman, an heirloom, which should under no circumstances be discarded before the thorough and total abolition of imperialism abroad and of classes within the country.**"[1]

The transformation from a socialist society to a communist society means eliminating all classes and class differences, eliminating all traditions and vestiges left behind by the old society, and eliminating bourgeois right and bourgeois right ideology. Profound transformations will take place in both the relations of production and the superstructure, constituting a tremendous qualitative leap. This transformation and leap can be achieved only gradually through a prolonged and complex class struggle between the proletariat and the bourgeoisie and through social revolution.

The laws of class struggle under the dictatorship of the proletariat prove that, during the socialist historical stage, the class struggle between the proletariat and the bourgeoisie is manifested with increasing depth and prominence within the Party. In order to restore capitalist relations of production, the bourgeoisie within the Party always strives to expand bourgeois right, which inevitably continues to exist during the socialist period, and to strengthen this important economic foundation that produces a new bourgeoisie, thereby safeguarding the interests of the bourgeoisie as a whole. For the proletariat to restrict bourgeois right is to strike at the lifeline of the bourgeoisie within the Party. Through an analysis of bourgeois right in socialist relations of production, we can see that the struggle of restriction and counter-restriction between the proletariat and the bourgeoisie is concentrated mainly on the following questions: Should leadership of all economic departments and enterprises be placed in the hands of true Marxists and the broad masses of working people? Should the disparities in prosperity among collectively

---

[1] Mao Zedong, "Why it is Necessary to Discuss the White Paper ," in *Selected Works of Mao Zedong*, Vol. IV, 444.

owned enterprises be gradually reduced? In the long run, should collective ownership make the transition from small collectives to large collectives, and from collective ownership to ownership by the whole people? Should active support be given to socialist new things that restrict bourgeois right? Should the differences between workers and peasants, between urban and rural areas, and between intellectual labor and physical labor be gradually reduced and ultimately eliminated? Should the commodity system and wage grading system be restricted under the dictatorship of the proletariat, while conditions are actively created to replace distribution according to work with distribution according to need step by step? After the democratic revolution, the broad masses of workers and poor and lower-middle peasants did not stop; they want revolution, and their revolutionary demands necessarily require the restriction and eventual elimination of bourgeois right and the carrying of the socialist revolution through to the end. But bourgeois right is the lifeblood of the bourgeoisie within the Party. They always regard bourgeois right as self-evidently justified, refuse to touch it in the slightest, and constantly seek to strengthen and expand it. When the revolution reaches these people and harms the interests of these high-ranking officials—which are also the interests of the bourgeoisie as a whole—they will leap out to oppose it. The far-right essence of the revisionist line pursued by Liu Shaoqi, Lin Biao, and Deng Xiaoping was to foster capitalism and the bourgeoisie by strengthening and expanding bourgeois right, overthrow the dictatorship of the proletariat, and restore capitalism. The struggle between the two lines within the Party is the concentrated expression of the class struggle between the proletariat and the bourgeoisie. Chairman Mao pointed out: "**Without struggle, there can be no progress.**" "**With 800 million people, can we do without struggle?!**"[1] The class struggle between the proletariat and the bourgeoisie will run through the entire socialist historical period and will cease only when classes and class differences have been completely eliminated and communist society has been realized. Therefore, the transition from socialist society to communist society is a prolonged process of class struggle, an extremely profound social revolution. The modern revisionists' propagation of the fallacy that the transition

[1] "The Cultural Revolution Shall Shine Forever—Commemorating the Tenth Anniversary of the May 16, 1966 'Notification' of the Central Committee of the Communist Party of China," *People's Daily*, May 16, 1976.

from socialist society to communist society does not require social revolution is a complete betrayal of Marxist theory and of the cause of liberation of the international proletariat.

"**The dialectics of history were such that the theoretical victory of Marxism compelled its enemies to disguise themselves as Marxists.**"[1] In the contemporary era, all kinds of enemies of Marxism have taken up the banner of communism and paraded it in public, deceiving the masses. The fake communism of the Soviet revisionist traitor clique is a prominent manifestation of various fake Marxist theories. Under the cover of this fake communist theory, the Soviet revisionist traitor clique transformed a great socialist state into the social-imperialist state it is today. Marxist political economy must advance through struggle against the Soviet revisionists' fake communist theory. The theoretical core of Soviet revisionist fake communism is to deny the basic Marxist theory that classes, class contradictions, and class struggle exist in socialist society from beginning to end; to incite the bourgeoisie to wage a ruthless class struggle against the proletariat; and to transform the dictatorship of the proletariat into the dictatorship of the bourgeoisie and socialism into capitalism. Chairman Mao pointed out: "**The Soviet Union today is under the dictatorship of the bourgeoisie, the dictatorship of the big bourgeoisie, a German fascist-style dictatorship, a Hitler-style dictatorship.**"[2] Fake communism, real capitalism, social imperialism, and social fascism—this is the essence of the matter.

In October 1961, Khrushchev declared at the Twenty-Second Congress of the Soviet revisionists: "Within twenty years (that is, from 1960 to 1980—the editors) we will basically build a communist society." In 1964, Khrushchev fell from power. Brezhnev inherited Khrushchev's fake communist cause of "Goulash Communism." By 1976, the so-called communist society of the Soviet revisionists had been "under construction" for sixteen years; in another four years, it should have been "basically completed." Strangely, Brezhnev, the second Khrushchev, had not dared for many years even to utter the phrase "basically building a communist society in twenty years." So, what kind of society is the Soviet Union today? Surely there must be some explanation! Thus, the Brezhnev traitor clique racked its brains and

---

[1] Vladimir Ilyich Lenin, "The Historical Destiny of the Doctrine of Karl Marx," in *Lenin's Collected Works*, Vol. 18, (Progress Publisher, Moscow, 1975).

[2] "Leninism or Social-Imperialism?—Commemorating the Centenary of the Birth of the Great Lenin," *People's Daily*, April 22, 1970.

exhausted its pens, and several years ago put forward a "unified view," declaring that the Soviet Union "has built a developed socialist society and created the conditions for the smooth construction of communism." The merit of this "unified view" lies precisely in its self-proclamation that the fake communism originally concocted by these traitors had gone bankrupt. Look: the "communist society" that was about to be "basically completed" suddenly became a "developed socialist society".[1] What a rapid change! In fact, whether it is "basically building a communist society in twenty years" or a "developed socialist society," neither of these two thin veils can conceal the hideous face of the Soviet revisionist traitor clique's restoration of capitalism. "**When stubborn historical facts had dispersed all intoxicating effects of self-deception, this form of Socialism ended in a miserable fit of the blues.**"[2]

Liu Shaoqi and the Lin Biao clique also spread many fallacies on the question of communism. At one moment, they said that communism had to "take 'property' as its banner" and let "everyone get rich"; at another, they said that communism was simply "communal-property doctrine," and that the saying attributed to Confucius more than two thousand years ago —"When the Great Way prevails, the world belongs to everyone"—was "the primitive idea of communism." They picked up again the slogan "the world belongs to everyone," put forward by Confucius, the spokesman for the declining slave-owning class, and propagated this "communal-property doctrine," which did not seek to eliminate the bourgeoisie and all exploiting classes. This perfectly exposed the ugly features of this band of traitors and country-sellers, who dreamed of posing as the slave owners of the twentieth century. Deng Xiaoping, for his part, peddled such fallacies as the claim that communism meant "everyone eating whatever they like and wearing whatever they like," with "sixty jin (30 kg) of pork per person per year, half a jin (0.25 kg) of apples every day, and even two liang (0.1 kg) of strong liquor to drink." Deng Xiaoping's communism of "two liang of strong liquor" has nothing whatsoever in common with Marxism's

---

[1] In 1964, a Soviet revisionist leader once arrogantly declared that the Chinese people "actually questioned our Party's and our country's right to build communism." Yet in 1971, this fellow began loudly proclaiming that the Soviet Union was supposedly a "developed socialist society," while the construction of the material and technical foundations of so-called communism had become a "complex and multifaceted comprehensive task requiring a very long time." Once so imposing—where is that former grandeur now?

[2] Karl Marx and Friedrich Engels, "Chapter III. Socialist and Communist Literature," in *Manifesto of the Communist Party.*

scientific communism; it is of the same associates as the Soviet revisionists' fake communism of "Goulash Communism." This proves that he and the Soviet revisionist traitor clique are birds of a feather.

Chairman Mao, the greatest Marxist of our time and the great teacher of the international proletariat, the oppressed nations, and the oppressed peoples, launched, with the majestic spirit of a proletarian revolutionary, the great struggle against modern revisionism centered on the Soviet revisionist traitor clique within the international communist movement. This has promoted the vigorous development of the cause of world proletarian revolution and the cause of opposing imperialism and hegemonism among the peoples of all countries, and advanced human history.

Chairman Mao pointed out: "**Soviet revisionist social imperialism and U.S. imperialism are colluding to do so many bad and ugly things; the revolutionary people of the whole world will not let them off. The people of all countries are rising up. A new historical period of opposition to U.S. imperialism and Soviet revisionist social imperialism has begun.**"[1] Soviet revisionist social imperialism is more deceptive than old-line imperialism and is therefore more dangerous. In the contemporary world, there are four major contradictions: the contradiction between the oppressed nations and imperialism and social imperialism; the contradiction between the proletariat and the bourgeoisie within capitalist, imperialist, and social-imperialist states; the contradictions between imperialist states and social-imperialist states, and among the imperialist countries themselves; and the contradiction between socialist states and Imperialism and social imperialism. The existence and development of these contradictions will inevitably increasingly stir up the people of various countries to join the great revolutionary struggle against imperialism, revisionism, and reactionaries. The capitalist social system has already partially entered the museum (in the socialist states); the remainder, too, is already "like the setting sun, with its breath failing and its life hanging by a thread, unable to plan beyond the present day," and is about to enter the museum. Only the communist system of thought and social system are surging throughout the world with the force of landslides and thunderbolts, preserving their splendid youth.

---

[1] Lin Biao, "Report to the Ninth National Congress of the Communist Party of China," *Hongqi*, no. 5 (1969): 32.

The theories of Marxism, Leninism, and Mao Zedong Thought concerning political economy of socialism constitute the theoretical foundation of the Party's basic line throughout the entire socialist historical stage. They are a powerful ideological weapon enabling the proletariat to maintain all-round dictatorship over the bourgeoisie, prevent the restoration of capitalism, and build socialism. Studying political economy of socialism diligently will undoubtedly deepen our understanding of the laws governing the development of socialist society, continuously raise our consciousness of class struggle, line struggle, and continued revolution under the dictatorship of the proletariat, and make us more consciously implement the Party's basic line throughout the entire socialist historical stage. With the heroic spirit of "**We can clasp the moon in the Ninth Heaven, and seize turtles deep down in the Five Seas**,"[1] we shall climb to the summit of communism.

The revolution is developing, and the people are advancing. The proletariat are revolutionary optimists. We firmly believe that "**The supersession of the old by the new is a general, eternal and inviolable law of the universe**"[2]; The **"Fall [of the bourgeoisie] and the victory of the proletariat are equally inevitable."**[3] Marxism was born only a little over a century ago, yet the old world has already been utterly defeated. The dawn of a new world without Imperialism, capitalism, or a system of exploitation lies ahead. The future is bright, but the road is tortuous. Chairman Mao inherited, defended, and developed Marxism-Leninism. The radiance of Mao Zedong Thought will forever illuminate the path forward for the hundreds of millions of revolutionary people. Under the banner of Marxism, Leninism, and Mao Zedong Thought, the proletarians and oppressed peoples and oppressed nations of the whole world, unite; **be resolute, fear no sacrifice and surmount every difficulty to win victory!**[4]

---

[1] Mao Zedong, "Reascending Chingkangshan."

[2] Mao Zedong, "*On Contradiction*," in *Selected Works of Mao Zedong*, Vol. I, 333.

[3] Karl Marx and Friedrich Engels, "Chapter I. Bourgeois and Proletarians," in *Manifesto of the Communist Party.*

[4] Mao Zedong, "The Foolish Old Man Who Removed the Mountains," in *Selected Works of Mao Zedong,* Vol. III, 321