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# China Report

RED FLAG

No. 18, 16 September 1980

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10 December 1980

## CHINA REPORT

## RED FLAG

No. 18, 16 September 1980

Translation of the semimonthly theoretical journal of the Central Committee of the Chinese Communist Party published in Beijing.

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NIGHT AND DAY

Beijing RED FLAG in Chinese No 18, 16 Sep 80 inside front cover

[Woodcuts by Chen Jinrong [7115 2516 1369]]



CSO: 4004

## ADVANCE ALONG THE PATH OF DEMOCRATIZATION OF THE COUNTRY

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 2-4

[Editorial]

[Text] The Third Session of the Fifth NPC has successfully accomplished its scheduled tasks and come to a triumphant close. This was a very important session. It discussed some important problems which will decide the political life and economic construction of our country. This session was in keeping with the aspirations of the people throughout the country and fully reflected the interests of the masses. In particular, the reshuffle of some leading members of the NPC Standing Committee and the State Council at the suggestions of the CCP Central Committee will be beneficial to improving the leadership system of the state, exercising the functions of the state organs and advancing socialist modernization.

From beginning to end, this session was distinctively characterized by an atmosphere of eloquence, liveliness and democracy. The work reports and speeches delivered by leaders of the state and responsible members of the departments concerned were not mere formalities. On the contrary, their reports contained the true facts and were submitted to the deputies for examination and approval. The deputies not only made statements on their positions in the discussions, but also freely expressed their views on the problems of interest to all. They not only talked about achievements at the session, they also criticized various aspects of the political life in our country and the work of the government and put forward their own proposals. All these criticisms and proposals were positive, pertinent and helpful. In addition, deputies addressed inquiries concerning some important problems in the work of the government, fully playing their role as the people's deputies in supervising the work of the government. All these showed that we have made great progress in promoting democracy, and the people's deputies, as the people's representatives, have conscientiously exercised their right of administering the country. The directions defined at this session for the political and economic reforms in our country are encouraging and have greatly strengthened the people's confidence in the four modernizations.

The problem of socialist democracy is, first of all, a problem of the state system of a socialist country. Ours is a socialist state of proletarian dictatorship led by the working class and based on the alliance of workers and peasants. The broad masses of workers, peasants, army-men, intellectuals and all patriotic personages can fully exercise their democratic rights. These democratic

rights encompass all aspects, and there are many ways and methods for fully exercising them. The basic way to exercise these democratic rights is to administer state affairs through the system of people's congresses. The people's congress is the basic political system of our country and the basic form for the people to administer their country. The National People's Congress is the highest organ of state power. The local people's congresses at all levels are the local organs of state power. The people administer the affairs of the state through the people's congresses and have the power to make decisions on important matters concerning the economy, politics, culture, education, science and social life, and they have the right to vote for, supervise and recall the personnel of state organs. In this way the people's democratic rights in all aspects will be truly guaranteed. Just as Comrade Mao Zedong said, laborers' rights to administer their country, various enterprises and science and education are the greatest and the most fundamental rights of the laborers under the socialist system. If such fundamental rights are sabotaged, and if an individual or a few individuals have the final say, then the people are actually deprived of their rights. Things have changed since the smashing of the "gang of four." Following the First Session of the Fifth NPC held in 1978, we have convened a session of the NPC every year in order to discuss and decide the affairs of state, and the format for holding these sessions has improved with each session held. The functions of the people's congress as stipulated in the constitution are being implemented. Direct elections at county level which are being carried out throughout the country show that democratic life in our country, which was sabotaged by Lin Biao and the "gang of four," has been gradually restored and our democratic system increasingly perfected. The democratization of political life and institutionalization of democracy in our country have reached a new level.

In order to realize socialist modernization, we must promote the democratization of the country. Basically speaking, we should let people exercise their rights of being the masters of their own country in the process of carrying forward the four modernizations. The four modernizations are the cause of the people, and the people have their indisputable rights to be the masters of their own cause. All important problems arising in the four modernizations should be discussed and decided by the people and their representatives. Only by realizing the democratization of the country can we effectively insure that the people are exercising their rights to take part in the administration of state affairs and other economic and cultural undertakings and that millions upon millions of people will truly regard the four modernizations as their own cause and use their initiative in order to advance. Only thus can we carry out our four modernizations in a better and faster way and increasingly demonstrate the superiority of the socialist system. If we fail to do so, the basic democratic rights of millions upon millions of people will not be guaranteed, and the reliance on the masses in our efforts to realize the four modernizations will become empty talk, with only attempts to please the public with slogans rather than by demonstrating the superiority of the socialist system. In the political life of our country, our act of bringing democracy into full play, encouraging people to exercise their rights to vote for, supervise and recall cadres and truly supervise the personnel of the state, is the basic way to insure that working members of the state organs maintain their spirit of serving the people, prevent them from seeking privileges and degenerating and eliminate various drawbacks in our state organs, in particular the trend toward bureaucracy. Therefore, it is obvious that democratization

of the country is a necessary guarantee for the modernization of our country. It is as indispensable as daily necessities such as cloth, silk, beans and grain.

Our present task is to build our country into a modernized and powerful socialist state with a high degree of democracy and civilization. This task includes the realization of democratization and modernization. Democratization and modernization are closely related. Democratization means that we should let the people fully exercise their rights to administer state affairs, of which the most important is the promotion of socialist modernization. If we approach and treat the problem of the democratization of the state from such a high plane, we will consciously respect people's rights of being the masters of their affairs and will not let an individual or a small number of people decide everything. Cadres' power was originally given by the people, but things were frequently turned upside down. It seemed as if cadres had conferred their power upon the people. Although some cadres agreed in words that democracy should be fully carried forward, they actually regarded the promotion of democracy as a chance for people to air their opinions. They still pursued the practice that "you have the right to speak out and I have the power to make decisions." They actually regarded themselves as the masters of society and treated the masses as if they were fools. The Chinese people gained their democratic rights after they had succeeded, under the leadership of the Chinese Communist Party, in overthrowing the three big mountains and establishing the people's government. However, for a long period in the past, due to the pernicious influence of feudalism and some defects in our state systems such as overconcentration of power, patriarchy, bureaucracy and so forth, the people's democratic rights were hampered and obstructed. During the 10-year chaos, the two counterrevolutionary cliques of Lin Biao and Jiang Qing did much evil and completely deprived the people of their democratic rights. It is now time to restore the democratic rights which people should fully enjoy and exercise. Our constitution stipulates that all power of the state belongs to the people. However, while exercising power, a small number of people always placed themselves above the people. Some personnel of state organs refused to be supervised and rode roughshod over the people. Some administrative organs overstepped organs of state power and regarded people's congresses as mere ornaments. Some people arbitrarily rejected the candidates of people's congresses elected by the people or even nullified election results of the people's congresses. Some cadres abused the power given by the people to sabotage and trample upon the will of the people. All these inevitably harmed our political system and ran counter to the nature of our socialist state.

The nature and superiority of our socialist society are advantageous to the promotion of democracy. However, owing to the fact that our country was ruled by feudalism for several thousand years and that we lacked the democratic tradition, "the evil feudal practice of arbitrary dictation is so deeply rooted in the minds of the people and even of the ordinary party members that it cannot be swept away at once. When anything crops up, they choose the easy way and have no liking for the bothersome democratic system." (Mao Zedong, "Struggle in the Jinggang Mountain") In addition, due to the pernicious influence and effects of the fascist dictatorship exercised by Lin Biao and Jiang Qing, some cadres, including leading cadres, were fond of making arbitrary decisions and refused to consult the masses when matters arose. Some people even regarded patriarchy and the practice of



"what I say goes" as all in a day's work and conventional. If we fail to eliminate these outworn things, people's congresses at all levels will unavoidably turn out to be a mere formality. It will be hard for the people to fully exercise their democratic rights. Their democratic rights will always face the danger of being trampled upon and sabotaged. Did not the serious accident of Bohai No 2 and other foolish cases of wasting money and manpower in production and construction occur because of the lack of people's democratic rights and the widespread progression of bureaucracy, as well as prerogative ideas on the part of some leaders? Therefore, to fully promote socialist democracy we should unswervingly fight against various erroneous ideas which hamper democracy, the influence of feudal autocracy in particular, and bureaucracy of all hues engendered by the influence of feudal autocracy.

To realize the democratization of the country we should realize the institutionalization of democracy. The people's democratic rights should be explicitly defined in the constitution and in various rules and regulations so that they will be legalized and stabilized and become the norms for people's action. Historical experiences have proved that only by implementing a perfect democratic system can our cadres and masses establish an excellent democratic work style and practice. Therefore, realizing the institutionalization of democracy is a basic problem of improving our socialist democracy. Socialist democracy can be realized through many systems and forms. The National People's Congress, people's congresses at all levels, the workers congress of all enterprises and institutions and the commune members assembly in villages are the most important and basic democratic system. We should effectively convene people's congresses at all levels on schedule and, just as we did in the Third Session of the Fifth NPC, let deputies fully exercise their democratic rights and turn the standing committees into working bodies. In this way the most fundamental rights of the people will be guaranteed.

Although we have a good democratic system, this does not mean that we can automatically implement it. Some people will openly resist and violate laws and decrees and refuse to implement them. Others will implement them perfunctorily or comply in public but oppose in private. Many defects such as bureaucracy, overconcentration of power, patriarchy, the system of lifelong service for leading cadres and privileges of all hues and so forth can be found in the leadership system of our party and state. All these are apt to give rise to such evil practices as "replacing the laws with individual decisions," "replacing the laws with individual directives" and "defying the laws." This will harm the democratic life of our country or turn various kinds of congresses into nominal assemblies in which all attendants can only say yes, or "meetings of empty talk" or accessories of administrative organs. People often say: "The party secretary makes the decision, the factory director delivers a report, the masses are regarded as fools and the trade union is only a bit player." This has reflected an abnormal phenomenon in our society. Therefore, we should combine our efforts to reform the leadership system and our practice of improving the democratic system. Through a series of reforms of our systems, we should strengthen our legislative work and explicitly define the scope of functions and powers of various cadres at all levels and improve and perfect the inspection and supervision system of the people's congress. In the meantime, we should improve and strengthen judicial organs and discipline inspection organs so that the

democratization of political life, economic management and the whole social life will be institutionally guaranteed.

The Third Session of the Fifth NPC has set us a good example in promoting democracy and establishing an excellent work style which will insure that people can fully exercise their democratic rights. This session has also charted an advance for the realization of the democratization and institutionalization of democracy in our country. It is a sign that our country has bright prospects. We firmly believe that the consolidation and development of the political situation in which there are both democracy and freedom, both personal peace of mind and unity of will, liveliness, stability and unity will greatly promote the socialist modernization of our country.

CSO: 4004

WAGE A FIRM STRUGGLE AGAINST BUREAUCRACY--BEGINNING WITH THE LESSON LEARNED FROM THE 'BOHAI NO 2' INCIDENT

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 5-7

[Article by RED FLAG commentator]

[Text] The decisive manner in which the State Council handled the accident of the sinking of the oil rig ship "Bohai No 2" has won the enthusiastic support of the masses. Facts have shown that only by truly relying on the masses, eliminating interference and ascertaining the true picture of a major accident of this nature so as to seriously deal with it and correctly summing up the lesson learned from this experience can we turn the bad thing into a good thing and enable it to become the motivating example for promoting and improving work. We should learn an important lesson from this experience, and that is: We must wage a firm struggle against bureaucracy, which is hindering the four modernizations.

The highest aim of our party and people's government is to serve the people. The cause of socialism is to work for the well-being of the people. The purpose of all the work of the party and people's government is to satisfy the ever-increasing needs in the material life and cultural life of the people. The nature of our party and people's government and the nature of our cause requires all of our cadres, and particularly the leadership cadres at various levels, to wholeheartedly serve the people, always think of the people and proceed in all cases with the interests of the people in mind. For many years most of our cadres have done this and have made contributions to the cause of socialism at their respective stations. However, because of the pernicious influence of feudalism, and particularly the influence of the ultraleftist ideology of Lin Biao and the "gang of four," there are definitely some cadres who in recent years have cast away the fine traditions and work style of the party. They have forgotten that communists are only the service personnel of the people, and they only make plans for themselves and devote themselves wholly to seeking fame and position. They understand nothing about conditions in production and construction but are nevertheless very determined. They frequently concentrate a great quantity of manpower and resources to fight so-called "battles of annihilation" and do not balk at extravagance and waste. So long as they can make some slight achievements they get swellheaded and become more domineering and assertive as well as imperious. As a result of a blind command, this accident occurred, state property was lost and casualties resulted, but they felt not the slightest pain and treated the lives and property of the people like dirt. Is not the sinking of the oil rig ship "Bohai No 2" the inevitable result of the development of this kind of disgusting thinking and work style?

Bureaucracy in our leadership work has completely subverted the relationship between the cadres and masses in the socialist system. Socialist public ownership of the means of production has enabled the working masses to become the masters of production and the state, and party and state cadres are only public servants of the people. Where does the power of our cadres come from? It comes from the people. In leading economic work and commanding production we can only work for the interests and welfare of the people. All policies and measures of economic work must conform to the interests of the people. In the course of production we must cherish public property, but we must show even more concern for the lives of the masses. The working masses are the mainstay of production and the most important factor in productive forces. Only by relying on the masses, arousing their enthusiasm and bringing their creative spirit into play can production develop smoothly. The working masses and technicians know first-hand about the actual conditions. They have production skills as well as scientific and technical knowledge. Only by regularly soliciting the views of the masses and respecting their criticism and suggestions can production command conform to reality and objective laws and can economic activities produce better results. When drawing up plans and making decisions, the leading members involved in the "Bohai No 2" accident ignored the masses and disregarded science. They considered themselves to be infallible, made arbitrary decisions, forced the masses to obey their blind command and basically refused to listen to their views. After the accident they also did not honestly reflect the conditions and still put forth the excuse that it is difficult not to make mistakes and that a price must be paid, in an effort to exonerate themselves and deceive the masses and the upper level. They even noisily celebrated the accident in which a ship was sunk and people had died as a heroic achievement and not only tried to evade responsibility but also tried to seek honor through fraud and deception. If this type of bureaucratic attitude is not basically changed, how can we even talk about leading the masses to carry out socialist construction?

The task of socialist modernization is arduous and complicated. Not only must we deal with people but we must also deal with nature. To be good at leading production and construction, we must adhere to the ideological line of dialectical materialism, seek truth from facts and work according to objective laws. Leading members must possess knowledge not only of social science but also of natural science. A decision or order of the leadership organ has a direct bearing not only on the success and failure of a specific project but also on the safety of state property and people's lives. Therefore, leadership cadres must be very modest and careful. They must guard against arrogance and rashness, be good at learning, carry out investigation and study, listen to all kinds of views and make decisions prudently. This is the scientific attitude as well as one which is really responsible to the people. However, some of our leadership cadres, as in the case of the leading members of the Ministry of Petroleum Industry and the Offshore Oil Exploration Bureau, have very great power but very little knowledge. They neither delve deeply into their vocation nor investigate and study actual conditions. They do not follow the mass line in work and do not respect the views of the specialists and workers. They act rashly and carelessly and violate scientific and objective laws. How can they not but make serious mistakes and be severely punished by objective laws?

Some people hold that the setting of high indexes and giving of blind commands in economic construction is caused by the desire to carry out work well and stems from "good intentions." The desire to push forward the four modernizations as quickly as possible is naturally a good thing. However, we must conscientiously study economic and natural laws and handle affairs based on objective laws as we carry out the four modernizations. We must act according to our ability and pay attention to economic results, and it will never do to rely purely on subjective desire. Every subjective desire is restricted by objective conditions. One-sidedly exaggerating the role of subjective initiative without paying attention to the feasibility of objective conditions will surely result in serious consequences. For a long time there was a prevalence of leftist ideas which led to rash advance and impatience for success, resulting in the setting of high indexes and blind commands, wanton disruption of normal production procedures and the use of noisy movements to command production, and willful destruction of natural resources and the carrying out of predatory production in economic construction. These methods greatly damaged China in the latter part of the 1950's, and even now their pernicious influence has not been completely eliminated. This kind of thinking is the formidable foe of modernization, and the people have suffered enough from it. If we do not completely eliminate these leftist ideas, not only will it be difficult for our modernization to advance rapidly, but, moreover, we will also again and again incur losses which normally could have been avoided.

The phenomenon of bureaucracy in our leadership work has a great deal to do not only with the thinking and work style of the cadres but also with the great imperfection in our socialist democracy, and particularly our economic management system. Therefore, to overcome bureaucracy in leadership work we must also take practical and effective measures to reform the leadership system and the economic management system. We must in particular amplify socialist democracy, strengthen socialist law and protect the people, so that they can fully exercise their fundamental rights of managing state affairs and economic affairs.

First, oppose the excessive concentration of power. We must realistically and steadily transfer most of the power to the basic levels and the masses. For many years China has practiced a highly centralized economic management system, and leadership organs at the upper level make the final decision on all important matters concerning an enterprise. In an enterprise a handful of leading members or a single member has the final word, and the masses of workers are actually denied the right to participate in management. The working people are nominally the masters of the state and its enterprises, but actually they are unable to bring their role into play. To reform the existing management system we not only must give greater decisionmaking power to the enterprises but must at the same time protect the right of the workers to manage the enterprises. All enterprises and business units must set up a workers congress system so that it can become the organ of power in name and in fact and transform the workers from nominal masters into actual masters. The workers congress will have the right to manage an enterprise, decide on important matters of an enterprise, hold elections and recommend the appointment and dismissal of leading members in an enterprise.

Second, oppose the patriarchal system. All party and administrative organs must practice the principle of collective leadership. At present collective leadership in some units is not very healthy, and the patriarchal style is particularly serious among some of the leading members. Many important issues are based on the decision of an individual without going through collective discussions, and the word of the leading member is "law." Those with dissenting views are suppressed and even vindictively attacked. The views, suggestions and plans offered by the specialists and masses can also be overruled by a single word from the leading member. In this way, mistakes arising from subjective conjecture are difficult to avoid. In the future we must fully discuss important matters within the leading body, conscientiously listen to the views of various sectors and, in particular, respect dissenting views. We must not allow a handful of people or a single individual to monopolize everything. This is the only way to really practice democracy and develop the spirit of democracy within party and administrative organs.

Third, abolish the system of lifetime tenure for leadership cadres which now actually exists. We must step by step put into practice a system of promotion, employment, examination, training, reward and punishment and retirement for cadres and must promote those in the prime of life with vocational knowledge and ability to leadership posts. We must set up and amplify all kinds of inspection and supervision systems so that, based on the genuine desire of the masses, we can promptly praise, reward and promote those cadres who have made outstanding contributions to the cause of socialism, criticize and educate those who have faults and made mistakes and remove and dismiss those bureaucrats guilty of serious dereliction of duty.

Fourth, oppose the lack of distinction between party and government, with the party replacing the government. In many enterprises today all work, including production tasks, is mostly run by the party committee. This has actually weakened the leadership role of the party and is also detrimental to bringing the role of the administrative organs into play. The tasks of party organizations and administrative organs are different, and there should be a clear division of labor. The party must look after the affairs of the party, and the party committee of an enterprise must give play to the role of the party organization as a fighting bastion and the role of party members as model vanguards, strengthen ideological and political work among the workers and play a supervisory and guaranteeing role in an enterprise. It must not take on the administrative leadership work. Leading administrative members should have complete power over production tasks. The trade union is the mass organization of the working people. It must have independent jurisdiction over work in an enterprise, work for the interests of the workers and speak on their behalf.

Fifth, leadership cadres, just like other citizens, must be restricted by discipline and law. Leadership cadres who abuse their power and violate law and discipline must be sanctioned by discipline and law. All legislation, policies and regulations for the economy must be strictly enforced, so that laws must be complied with, law enforcement must be strict and violations must be investigated. Serious violations of law and discipline under any pretext will not be permitted. We must uphold the principle that everyone is equal before the law and must not again practice "punishments are not meted out to senior

officials." No matter how meritorious his service or how high his position, anyone who violates the law must be given the same punishment as would be given a common person.

Bureaucracy is incompatible with the fundamental character of our socialist system. The reason bureaucracy is able to survive and grow under China's socialist system has something to do with the level of development of productive forces and with the cultural level and educational standard of the whole nation. Just as Lenin said: "Soviet power, which in principle has provided an immensely higher proletarian democracy, has created a model of such democracy for the whole world. But this lack of culture is depreciating Soviet power and reviving bureaucracy." ("Collected Works of Lenin," Vol 29, p 152) Therefore, the struggle against the various manifestations of bureaucracy will be a protracted and arduous task. However, precisely because we have an immensely higher socialist democracy under the socialist system, bureaucracy is not an incurable disease. So long as we combine the struggle to overcome bureaucracy with the reform of the leadership system and the management system, and especially if we resolutely put into practice the handing of power to the lower levels and allow various enterprises and business units to have the power of independent management and activity under the unified leadership of the state, and, moreover, if this kind of power can be genuinely exercised by the entire body of workers of all the enterprises and business units, then we will certainly be able to achieve the goal of overcoming bureaucracy.

CSO: 4004

THE HEALTHY DEVELOPMENT OF SOCIAL DEMOCRACY IN OUR COUNTRY--HOW TO APPROACH THE DELETION OF THE PROVISION ON THE 'FOUR BIGS' FROM THE CONSTITUTION

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 8-11

[Article by Jia Chunfeng [6328 2504 1496]]

[Text] In accordance with a proposal made at the 5th Plenary Session of the 11th CCP Central Committee and after serious discussions, the 3d Session of the 5th NPC which was held recently decided to delete from our country's constitution the provision regarding the citizens' "rights to 'speak out freely, air views fully, hold great debates and write big-character posters.'" This decision reflects the wishes and demands of the broad masses and has won support throughout the country.

As everyone knows, to carry forward socialist democracy, to strengthen the socialist legal system and to insure that the people enjoy full rights and opportunities to express their views on affairs of state and make proposals and criticisms to party and government leaders are important matters regarding the socialist political development of our country and are policies firmly upheld by our party and government. However, are the "four bigs" a good method to attain this goal? Facts eloquently show that, judging by the general situation, the "four bigs" have never played an active role in safeguarding the people's democratic rights but, on the contrary, have impeded people's normal exercise of their democratic rights. This is the common understanding acquired by our party by upholding practice as the only criterion for testing truth, by fully reviewing the situation after the emergence of the "four bigs," and by proceeding from practice to seriously sum up experiences and assessing our gains and losses.

We paid a price to acquire this understanding.

As a social phenomenon in our country, the "four bigs" emerged in 1957 when the rectification and antirightist campaign was under way. At that time a handful of bourgeois rightists used the "four bigs" to attack the party, the people and the socialist system. Immediately after that the party and the people also used the "four bigs" to wage a counterattack against the rightists. Of course, it was unfair to say that the "four bigs" were the only reason the wrong label of being a bourgeois rightist was placed on a great number of people at that time. Doubtlessly the "four bigs" and the atmosphere created by them played a role



in promoting the wrong policy of broadening the scope of the antirightist struggle.

In almost a quarter of a century after that, the "four bigs" have never disappeared from the political life of the Chinese people. They were closely linked with almost every political movement. Especially during the decade of the "Great Cultural Revolution," Lin Biao, Jiang Qing and their ilk deliberately created and pushed the ultraleftist line to usurp supreme power of the party and the state. As a result, the "four bigs" spread more and more pernicious influence and culminated in a catastrophe. There was a flood of big-character posters which engaged in endless "debates" and made wrong criticisms. Order was replaced by confusion, unity by division, and stability by upheaval. A large number of revolutionary cadres and intellectuals were persecuted. A large number of false and wrong cases were fabricated. Our party, state and people were made to suffer. To many people the "four bigs" were good for nothing and should have been sent to the historical museum long ago.

While liquidating the ultraleftist line of Lin Biao and the "gang of four," people bear in mind their experiences of the past two decades and have long been thinking about these questions: Have the "four bigs" played an active or passive role in promoting socialist democracy and strengthening the socialist legal system? Are they advantageous or disadvantageous to the effort to maintain a political situation of stability and unity and achieve socialist modernization? In the course of learning, people invariably continue to develop and deepen their knowledge in practice. Millions and millions of people have learned painful lessons about the "four bigs." Our knowledge of the "four bigs" has also been elevated from the level of perceptual knowledge to the level of rational knowledge. We have to expose their evil, which is chiefly as follows:

(1) They infringed on people's democratic rights. Whatever his motive, anyone could use the "four bigs," especially the big-character posters, to attack other people, provoke conflicts and even spread false rumors about people. Those who were accused in the big-character posters were not given a chance to state the facts and defend themselves. The big-character posters were put up in streets for the public to read. Most of the readers did not know the facts. They were only given a one-sided story. It would be difficult for them to tell the true from the false. In particular, the writers of the big-character posters said whatever was on their minds. This invariably misled the public, upset democratic order in society and disrupted and infringed on the citizens' democratic rights specified in the constitution.

(2) They trampled upon the socialist legal system. Many big-character posters did not bear the true names of their writers. Thus, they could not be held politically or legally responsible. As a result, those who used the "four bigs" to calumniate others, spread rumors and trump up charges could not be prosecuted according to law, and the victims' personal freedom and citizenship were not safeguarded by law. The state laws could not be enforced wherever the "four bigs" prevailed.

(3) They mixed up the two types of qualitatively different contradictions. Most of the big-character posters carried one-sided and exaggerated reports and even unwarranted and fabricated materials. Moreover, they made prejudiced criticisms

and fabricated charges, willfully seizing on other people's mistakes, putting labels on them and bludgeoning them. The so-called "great debates" actually were mass criticism and repudiation, where only one party was allowed to speak out freely and the other party was not allowed to air his views fully. Therefore, it was totally impossible to resolve the contradictions among the people by the formula "unity-criticism-unity," by proceeding from reality and seeking truth from facts, by putting facts on the table and making things clear through reasoning, and by penetratingly and meticulously carrying out ideological education. In most cases, big-character posters emerged in a mass action and adopted an ultraleftist attitude, treating problems of thinking and understanding as political problems and regarding contradictions among the people as contradictions between the enemy and ourselves. In some places and units where factionalism prevailed, the factionalists used the "four bigs" to incite people, thereby sharpening the contradictions instead of correctly and quickly resolving them. At the same time, the big-character posters facilitated the activities of counterrevolutionaries, criminals and those who had an ulterior motive. Facts have already shown that these people used the "four bigs" to make trouble, create confusion and divulge the secrets of the party and the state, thus impairing the fundamental interests of the state and the people.

(4) They disrupted normal order of production and work and social order. With a writing brush, a bundle of paper and a bucket of paste, some people put up big-character posters on walls in streets and lanes, creating a sensation. The irresponsible exposures and criticisms sapped the people's morale and strained the relations between one man and another. This diverted people's attention, dissipated people's energies and hindered the cadres and the masses from concentrating on working concertedly to build socialism.

In a few words, the "four bigs" gave rise to much evil and caused great harm. Allowing them to remain in the constitution would jeopardize the political situation of stability and unity, hinder the people from exercising their proper democratic rights, facilitate sabotage waged by the handful of class enemies and harm the four modernizations. As the NPC deputies said: "We want the 'four modernizations,' not the 'four bigs.'"

Democracy should be highly developed in the political field in order to accomplish the four modernizations. The four modernizations cannot be carried out effectively if we do not fully develop democracy and allow the people to cultivate their sense of responsibility and to display their enthusiasm, activism, initiative and spirit of self-sacrifice. The four modernizations will not have bright prospects if we do not practice centralism of a high degree on the basis of ample democracy and do not create conditions in which people work intensely and in good order under unified leadership and command. Socialist democracy as the superstructure is determined by the socialist economy as its base and serves it. For this reason, our socialist democracy has clear-cut concrete contents. Whatever the form and procedures by means of which it is developed, it will invariably be conducive to the upholding of the four basic principles and the accomplishment of the four modernizations. Democracy which impairs the four basic principles and deviates from the goal of achieving the four modernizations through stability and unity can never be socialist democracy, no matter what beautiful disguise it may put on and how nicely it is worded.

Some people hold that the "four bigs" are a form of democracy and that deleting the "four bigs" means doing away with socialist democracy or at least weakening or restricting socialist democracy. They have confused the "four bigs" with socialist democracy. They do not see the basic, inherent defects of the "four bigs." They also lack correct understanding of socialist democracy. Socialist democracy implies that all of the people wield supreme power in running the country on the basis of the rights of ownership and disposal which they exercise in various forms over the means of production. This is an unshakable political principle of the socialist system. However, socialist democracy should never be developed spontaneously, but under leadership. When the "four bigs" are separated from party leadership and from the restrictions of the laws, a few people will advocate anarchism and ultrademocracy, do whatever they like, defy both human and divine laws, impair the democratic rights of the majority of people and disrupt social order. Why should the "four bigs" be related to socialist democracy? They should not be regarded as equal.

Socialist democracy embodies the unity of rights and duties. There are no rights without duties nor duties without rights. Rights and duties form an indivisible entity. To enjoy democratic rights, every citizen must fulfill his duties to the country, the society and other people. Failure to fulfill one's duties invariably will lead to the violation of democratic rights. In his "Report on the Work of the Government" delivered to the Second Session of the Fifth NPC, Comrade Hua Guofeng pointed out: "To enjoy rights and freedom a citizen must fulfill his duty to society and to other people." Without taking any political, legal or moral responsibility, the "four bigs" willfully encroached upon other people's democratic rights. They themselves impact on socialist democracy. Of course, doing away with them should not be regarded as weakening or restricting socialist democracy. On the contrary, doing away with them means promoting and strengthening socialist democracy. This indicates that democracy has taken a step forward and absolutely not a step backward in its course of development.

Some people say that people's democratic life will not develop normally if the "four bigs" are eliminated. Actually, the facts answer this question. Before the rectification and antirightist campaign in 1957, the "four bigs" did not exist in the political life of the Chinese people. A relatively normal political life was enjoyed both inside and outside the party. Superiors got along well with their subordinates, and so did the cadres with the masses. Facts show that the "four bigs" are not a necessary form for developing socialist democracy. On the contrary, we saw another situation during the decade when Lin Biao, Jiang Qing and their ilk ran amuck: on the one hand, the "four bigs" were advocated most vigorously; on the other hand, socialist democracy was recklessly destroyed. At that time the outcry for "great democracy" was accompanied by the fascist autocratic atrocities of Lin Biao, Jiang Qing and their ilk, and inner-party democracy and the people's democratic life were seriously harmed. This showed that the "four bigs" ran counter to socialist democracy. When the "four bigs" developed to their peak, socialist democracy dropped to its lowest point.

Some people also worry that if the "four bigs" are eliminated the channels through which criticisms and suggestions may be communicated to the leadership will be blocked. In our country the people are the masters. They have every means and opportunity to run the country and enjoy the right to air their views. State

organs at all levels maintain the system of the people's congress. Organs to handle letters from the people and receive visitors are attached to party and government organizations at all levels. The majority of our cadres live in the grassroots-level units, where the masses may put forward their proposals and demands at any time. Many of our leading cadres often handle matters revealed by the masses in their letters or visits. We have the fine traditions of following the mass line and making criticism and self-criticism. When the masses have opinions on the leading organs or their leaders, they may criticize them directly or report the matter to a higher level and even to the party Central Committee and the State Council. Therefore, when the "four bigs" are eliminated, the question of having nowhere to air views and make complaints will not exist. Our party and government will continue to create more and better conditions to insure that people may exercise their various democratic rights.

It should also be noted that those who sincerely and responsibly make criticisms and proposals to their leaders want to quickly solve actual problems. However, it is hardly possible to attain this goal by means of the "four bigs." Even the question of a bureaucratic work style can be solved effectively only through a proper channel or method. We are thoroughgoing materialists. We never deny that bureaucracy does exist in various forms in our party and state organs. Resorting to bureaucracy in trampling on democracy and retaliating against those who make criticisms existed in the past and also exists at present, and even to an intolerable extent, in some places and units. However, we can persistently resist and eventually overcome the virus of bureaucracy as long as we, under the party's leadership and with the support of the masses, continue to improve party leadership, strengthen the socialist political and economic systems and promote socialist democracy. We do not encourage the method of using anarchism to cope with bureaucracy, because the former cannot overcome and defeat the latter. Indiscriminate exposure, criticism and struggle will only sharpen the contradictions, broaden the scope of struggle and bring serious harm to the socialist cause. Daily life has repeatedly shown that in promoting socialist democracy it is necessary not only to firmly oppose bureaucracy of various descriptions but also to firmly rectify ultrademocracy and anarchism.

The Chinese people's democratic rights were seriously violated when Lin Biao, Jiang Qing and their ilk ran wild. This is an impressive lesson for the party, the government and the people. Since the downfall of the "gang of four," especially since the 3d Plenary Session of the 11th CCP Central Committee, the party and the government have adopted many practical and effective measures to restore and carry forward socialist democracy and insure and expand the people's democratic rights. For example, they have seriously redressed cases in which people were wronged, misjudged or framed; they have laid down rules and regulations safeguarding the people's democratic rights; they have set up discipline inspection committees at all levels; they have strengthened the work of handling problems revealed by the people through letters and visits; they have reiterated that the practice of seizing on others' faults, putting labels on others and bludgeoning others should not be encouraged among the people; they have used newspapers to criticize bureaucracy, the "special privilege" mentality and the misdeeds of trampling on democracy and violating law and discipline; they have adopted the systems of holding workers and staff members congresses and democratically electing squad and group leaders and workshop directors in enterprises, and so

forth. Arduous and unremitting efforts have yet to be made to put these measures into practice. Some of these measures need to be improved. However, all these measures have won all-out support from the people, have played and will continue to play a good role in the political life of the Chinese people, and have brought about an unprecedented, gratifying scene in the democratic life both inside and outside the party. Of course, socialism inevitably will meet problems of one sort and another in practice. To improve and perfect socialist democracy, we must do a great deal of work, go through many struggles and in particular struggle against the long-existing feudal patriarchal system. Through the continuous course of "practice, understanding, again practice and again understanding," socialist democracy in our country will surely be carried forward and improved with each passing day. There is no doubt about this. Deletion of the provision of the "four bigs" from the constitution is proof of the healthy development of socialist democracy in our country.

CSO: 4004

## COMMODITY RELATIONS AND ENTERPRISES' DECISIONMAKING POWER WITHIN THE FRAMEWORK OF OWNERSHIP BY THE WHOLE PEOPLE

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 12-15

[Article by Jiang Xuemo [5592 1331 2875]]

[Text] A correct understanding of the place and role of commodity relations within the realm of socialist economic relations, particularly a correct understanding of the commodity relations within the framework of ownership by the whole people under socialism, has an important bearing on the socialist modernization and construction of our country. At present we are undertaking the reform of the economic management system and have already achieved notable results in experiments to enlarge the decisionmaking power of state enterprises. But should state enterprises have the decisionmaking power in management and control? What should be the extent of the decisionmaking power delegated to them? How can we reconcile the state's centralized control of state enterprises with the decisionmaking power of these enterprises? These problems are closely connected with the attempt to achieve a clear theoretical understanding of commodity relations within the economic sector of ownership by the whole people under socialism.

### Problems Arising From the "Outer Shell" Theory of Commodities

For a long period after the publication of Stalin's treatise "Economic Problems of Socialism in the USSR," a certain "outer shell" theory has been in vogue on the problem of commodity relations under socialism. The theory postulates that within the sector of the economy of ownership by the whole people, and among the state enterprises, commodity relations really do not exist, and the products purchased or sold among the state enterprises are in reality not commodities but only the outer shell of commodities. With this as the starting point, it would appear, insofar as the relations within the sector of the economy of ownership by the whole people are concerned, that economic laws would lose their regulatory role over production and at the most could exert only a little influence. The pricing of products and the computation of production costs and profits would likewise not be governed by economic laws. It would follow that state enterprises are not, relatively speaking, independent producers of commodities and that, objectively speaking, they would not need to have decisionmaking powers. Quite clearly, for a prolonged period of time a certain mode of procedure for economic control under the system of ownership by the whole people has been to deny state enterprises a definite degree of decisionmaking power. Almost all production materials turned out by state enterprises are placed at the disposal

of the departments handling material resources, which make the necessary allocations according to plans. The fixing of product prices is not made according to the necessary amount of social labor expended in the production process. Some of the products are priced much higher than the amount of social labor spent on them. This gives the enterprises large profits without actually having to make much of an effort. On the other hand, the prices fixed for some products are below the average production cost, resulting in many enterprises suffering losses despite having devoted much effort to production and management. The finances of state enterprises are now subject to a system of unified receipts and unified disbursements by the state. Under this system, all profits are remitted to the state, while in turn the state makes good on losses or deficits. Such methods of operation, which actual practice has shown to have impeded the development of production, are fundamentally related to the failure to recognize that, in theory, commodity relations do exist within the realm of the economy under ownership by the whole people.

At present many comrades engaged in practical and theoretical work on the economic front have come to recognize the existence of commodity relations within the sector of the economy under ownership by the whole people and that the products exchanged between state enterprises are, in substance, commodities. Hence, objectively speaking, goods exchanged between state enterprises should be of equal value. Price fixing and determination of targets for production costs and profits must conform to the objective demands of economic laws. As commodity producers, state enterprises must possess definite decisionmaking power with regard to production and business operations. In the control of state enterprises, the state should rely less on administrative procedures and concentrate more on economic tactics. It appears that a consensus is gradually beginning to emerge on these problems. Nevertheless, why is it that within the sector of the economy under ownership of the whole people there still exists, in substance, commodity relations? What economic conditions determine such commodity relations? Is there any difference between these commodity relations and those of enterprises under the two kinds of public ownership system? At present views on these problems are still divergent. And because of the divergent viewpoints on the theory of commodity relations within the sector of the economy under ownership of the whole people, different opinions continue to be held on reform of the economic control system. Hence, in my opinion, it is extremely necessary to make a study of the theory of commodity relations within the sector of the economy under ownership of the whole people in order to reach general agreement on the matter of reforming the economic control system.

#### Where Does the Error Lie in the "Outer Shell" Theory of Commodities?

The logic behind the "outer shell" theory of commodities is this: The production materials and production results of state enterprises are the property of the whole people and belong to the same owner. The mutual exchange of products between state enterprises does not change the ownership status of the products. On the other hand, the exchange of commodities is an exchange between different owners. Therefore, an exchange within the sector where there is no corresponding change of ownership does not in reality constitute commodity exchange. It is commodity exchange in form only, and the exchanged products are only the outer shells of commodities.

In my opinion, the trouble here lies in considering all socialist state enterprises to be under the same ownership, without any differentiation between them. This is the result of a prolonged period of "leftist" influence that has caused the principle of socialist material interests to be completely ignored. Likewise, the difference between the system of ownership by the whole people under socialism and that under communism has been completely ignored.

As everybody knows, Marx and Lenin never paid any attention to a socialist utopia. Instead, they treated socialist society as a vestige of the old society of capitalism, being a low-class type of communist society with economic, moral and spiritual traces of the old society. Marx regarded the equal rights of "distribution according to work" as representing in principle the rights of the capitalist class. This, together with Lenin's dissertation on the relations of the individual's material interests and the responsibility system governing the operation, management and profit and loss of state enterprises, both glittered with the luster of materialist thinking. But by the time of Stalin, who probably hoped to arouse the warm feelings of the Soviet people for their socialist fatherland, writings on socialist economic relations touched only on their basic difference from capitalism and never mentioned that they contained the vestiges of the old society. The result is that on many problems the line of demarcation between socialism and communism has not been clearly drawn at all.

Personally, the writer believes that the difference between the vestiges of the old society existing under the socialist and communist systems of ownership by the whole people is that the socialist system of ownership by the whole people is a kind of system of ownership by the whole people which is intimately concerned with the material interests of the individual. Viewed from the standpoint of the ownership or possession relations of production materials, state enterprises under the system of ownership by the whole people are the property of the whole people. But the people taken as a whole cannot dispose of or utilize the production materials of the whole people. Instead, these production materials are disposed of or utilized by a combination of state enterprises that act as producers and are concerned with the material benefits derived from their labor. The extent of the benefits to the state enterprises derived from production (such as the quantity of output, quality of output, value and profits) depends not only upon the quantity and quality of the production materials and the labor arrangements but also on the use and disposition of these materials and labor power, that is to say, upon the business and management level of the enterprises. Objectively speaking, the development of socialist production requires the close binding together of the production results and the material benefits of the workers and employees of the state enterprises. The amount received from state enterprise labor depends not only upon the quantity and quality of the labor contributed by each individual worker and employee but also upon the use and disposition of the production materials of the whole people on the part of the workers and employees in their collective role as producers. Only in this way is it possible to mobilize the labor enthusiasm, originality and sense of responsibility for business operations and management of the workers and employees.

From this it can be seen that, viewed from the possession relations of production materials, all state enterprises belong to the same owner, that is to say, to the whole people represented by the socialist state, The profit and loss of



enterprises originating from the quantity and quality of the production materials should also be taken care of by the same principal, the socialist state. Viewed from the use and disposition of production materials, a clear line of demarcation exists among the individual state enterprises themselves. The profit and loss resulting from the conditions of the use and disposition of the production materials, that is to say, resulting from the business operation and management level, should not be the unified responsibility of the socialist state but rather should be taken care of individually by the state enterprises who have banded together as producers. Precisely because of this separation of the possession relations of the production materials from the utilization and disposition relations of the production materials, there exists a special distinction between the system of ownership by the whole people under socialism and that under communism. It has also brought about the need for the relative independence of socialist state enterprises, as well as the necessity for the existence of commodity relations within the sector of the economy under ownership of the whole people.

In the higher stage of communism, despite the fact that the disposition and use of the production materials owned by the whole people are still in the hands of the enterprises who have banded together as producers, man's labor becomes a kind of labor devoid of compensation but done conscientiously for the benefit of the public. In enterprises owned by the whole people under communism there no longer exists a distinction between the possession relations and the disposition and utilization relations of production materials. The profit and loss of all enterprises, irrespective of the cause, will be shouldered by the entire body of constituents of society. Only then will commodity relations within the sector of the economy under ownership of the whole people become extinct. While still in the stage of socialism, individual enterprises which club together for the purpose of production possess the economic rights and shoulder the economic burden of the good or bad business results of their respective enterprises on an individual basis. The state enterprises themselves must treat each other as independent commodity producers. The exchange of products between them must be carried out according to the principle that commodities exchanged must be of equal value.

#### Peculiarities of Commodity Relations Within the Sector of the Economy Under Ownership of the Whole People

Commodity relations within the sector of the economy under ownership of the whole people are different from commodity relations of the two categories of public ownership economy under socialism. Like all commodity relations in history, commodity relations between state enterprises and collectively owned enterprises are generated from the division of labor in society and the production materials and products of labor belonging to different owners. Commodity relations between state enterprises are not generated by the production materials belonging to different owners. They are generated by the production materials belonging to the same owner but coming under the disposition and use of different groups of producers.

The peculiarities of commodity relations within the sector of the economy under ownership of the whole people brought about by the nature of the system of ownership by the whole people under socialism form the main theoretical basis for our reforms of the economic structure. For example: Expanding the financial power of

the enterprises and determining the ratio of the division of enterprises' profits regarding what proportion should be at the unified disposal of the state and what proportion should be at the disposal of the enterprises themselves should be based on the objective and subjective factors contributing to the making of the profits. As regards the fundamental sources of profits, all state enterprises derive their newly created value, including profits, from the productive labor of their workers and employees. However, due to the differences in the quantity and quality of the production materials available for disposal and utilization, the same quantity and quality of labor power may not bring about equal amounts of profits. Likewise, due to the different degrees of efficiency in the disposition and use of production materials, the same quantity and quality of these materials may also bring about unequal amounts of profits. Profits generated because of a large quantity of high-quality production materials should belong to the owners of the production materials, that is to say, the whole people. They should be placed at the disposal of the state, representing the interests of the whole people, for the purpose of improvement and expansion for the benefit of the entire people. As for profits in excess of the general level derived from the efficient disposition and use of production materials, the surplus portion should belong to and be placed at the disposal of the enterprises which by virtue of their high-quality labor power in the use and disposition of the production materials have achieved outstanding successes and which may thus use the surplus profits to further develop their production, improve the welfare of the entire staff and increase the rewards for deserving workers and employees. Let us cite the following examples:

Example 1: A state-operated television plant has the following particulars: a staff of 1,000 people; old and antiquated equipment; annual production, 10,000 television sets; production cost of 250 yuan per set; ex-factory price, 300 yuan each; and gross profits of 500,000 yuan a year. Later on the state invested a large sum in the plant for the purposes of expansion and development. It then employed the latest technological equipment and installed an assembly line. The size of the staff remained at 1,000, but annual production went up to 100,000 television sets. The production cost per set dropped to 200 yuan, but the ex-factory price stayed at 300 yuan per set. As a result, profits went up to 10 million yuan a year, an increase of 9.5 million yuan compared with before. Meanwhile, the technological level of the staff of workers had already been suitably raised in order to enable them to handle the new technological equipment. The technological level of the staff having been raised, it followed that their pay scale had also been suitably raised, but the pay raise was duly incorporated into the production cost. Hence, the newly increased profits of 9.5 million yuan were derived from an increased quantity of production materials plus an improvement in their quality. Since the investments for the new equipment had come from the treasury of the whole people, in principle the entire amount of the increased profits should be placed at the disposal of the socialist state.

Example 2: Seven television plants, all of which have the same technological level, same size of staff and same technological grading. The state had stipulated the following targets for each of the plants: annual production, 100,000 television sets; production cost, 200 yuan each; and annual gross profits, 10 million yuan. However, as a result of their different business and management levels, the following disparities were found in their production results:

Plant No.	Annual output (sets)	Production cost (per set) (yuan)	Ex-factory price (per set) (yuan)	Profits (per set) (yuan)	Total annual profits (million yuan)	Deviation from plan (million yuan)
1	90,000	320	300	-20	-1.8	-11.80
2	95,000	210	300	90	8.55	- 1.45
3	100,000	200	300	100	10.00	0
4	105,000	190	300	110	11.55	1.55
5	110,000	180	300	120	13.20	3.20
6	115,000	170	300	130	14.95	4.95
7	120,000	160	300	140	16.80	6.80

As shown in the above tabulation, of the seven television plants, plant No 1 incurred a deficit, while plant No 2 failed to reach the target set by the state. Plants Nos 4, 5, 6 and 7 surpassed the state's profit targets in varying degrees. All seven plants had equivalent objective production conditions. Hence, the disparities in their production results did not arise from differences in the quantity or quality of the production materials or in the size of the work force or in their respective technological grading. They were due to varying degrees of efficiency in the execution of their subjective activities, that is to say, to the disparities in the business and management level of the respective enterprises. This being the case, the staff members, particularly the leadership cadres, of the enterprises failing to achieve the profit targets should bear the economic responsibility, because they betrayed the trust of the people of the entire country, failed to do a good job of business operations and management and were unable to make the production materials and labor power fully assert their role in the production process. On the other hand, those enterprises surpassing the planned profit targets of the state should be entitled to the economic rights of the surplus profits. This portion of the surplus profits should be wholly or partly placed at the disposal of the enterprises themselves. This is because the surplus profits were derived from a high level of management and control, and the enterprises were able to provide labor power of a superior quality in the disposition and use of the production materials owned by the whole people.

The distribution of the enterprise profits between the state and the enterprises should not contravene the above-mentioned principles. If profits derived from a large quantity and high quality of production materials were allowed to be placed at the disposal of the state enterprises concerned, then we would be refuting ownership by the whole people of the production materials. We would be placing the workers and employees of these state enterprises privileged with the disposition and use of advanced technological equipment in a particularly advantageous position with regard to the possession relations of production materials. This would be disadvantageous to the unity of the working class. On the other hand, if we were to place at the unified disposal of the state the surplus profits derived from a higher level of management and control, we would in reality be refuting the principle of socialist material benefits and would be refuting the socialist state enterprises' status of being relatively independent commodity producers. This would bring about the ideology of "eating from a communal pot" and would defeat the socialist enthusiasm of the workers and employees, which would be highly detrimental to the development of socialist production with faster, greater, better and more economical results.

## Understanding Must Be Complete

The decisionmaking power of socialist state enterprises applies not only to financial administration but also to other spheres, such as personnel management, administration of material resources, production, supply of raw materials and marketing of goods. In all these spheres, to what extent decisionmaking power should be extended will have to be determined according to the nature of the socialist system of ownership by the whole people and the special features of the commodity relations within the sector of the economy under ownership of the whole people, plus adherence to the governing principle of being advantageous to the development of socialist production. Generally speaking, commodity relations within the sector of the economy under ownership of the whole people illustrate that each and every state enterprise is, relatively speaking, an independent producer of commodities and has certain decisionmaking powers in the different phases of enterprise management, such as those with regard to personnel, finance, goods and materials, supplies, production and marketing. Only in this way can there be sufficient grounds for the full display of positivism in the management and administration of enterprises, so that commodity production can fulfill the needs of society. Nevertheless, it is only relatively speaking that state enterprises are independent producers of commodities, unlike collectively owned enterprises, which are completely independent producers of commodities. For this reason, expanding decisionmaking power in the management and control of state enterprises does not hamper the state in exercising the essential centralized and unified leadership over the state-operated economy. Production of the state enterprises will of necessity be regulated by the state plan, and regulation by the state plan will be coordinated with regulation by market conditions, although regulation by the state plan should always take precedence. The smooth development of socialist modernized construction requires a correct understanding of the peculiar features of commodity relations within the socialist sector of the economy under ownership of the whole people. It requires the correct handling of the relations between the state and the enterprises and avoidance of one-sidedness in understanding and concrete actions.

Looking at the history of the development of socialism, we will see that mankind's treatment of the necessity for and importance of commodity relations within the sector of socialist economic relations, particularly with reference to the necessity for commodity relations within the socialist sector of the economy under ownership of the whole people, grew from early refutation to gradual recognition and from low esteem to gradual recognition of their importance. In our country, as a result of our having for a long time refuted the principle of material interests under socialism and failing to recognize the difference between ownership by the whole people under socialism and ownership by the whole people under communism, fundamentally the current tendency is the failure to grasp clearly or assess sufficiently the necessity for and importance of commodity relations within the sector of the economy under ownership of the whole people. Reflecting such modes of thought in their ideas on reforming the economic control system, people view the expansion of the decisionmaking power of state enterprises with trepidation, fearing that the basic-level enterprises have too much power and too much money and may get out of hand. They cherish the idea of retaining as much as possible the old custom of having a centralized and unified leadership relying on the issuance of administrative decrees to attend to economic matters.

This is an illustration of the failure to completely eradicate the effects of "leftist" ideology in economic matters as well as of the continued existence of an ossified way of thinking.

Yet, on the other hand, some comrades consider the law of value as the most important law in the realm of socialist economy. They even refute the existence of a basic economic law under socialism or a law governing the planned development of the national economy. State enterprises, which actually hold the economic position of relatively independent commodity producers, are considered by them to be entirely independent commodity producers. With this concept as the starting point in talking about the reform of our country's economic control system and when touching on the problem of the decisionmaking power of state enterprises, they are inclined to demand that state enterprises be exempted from administrative control by the state. They are even of the opinion that the essential centralized and unified control of state enterprises by the state can only produce negative effects. In my opinion, this is not justified.

CSO: 4004

CERTAIN QUESTIONS ON FINANCE, CREDIT AND BALANCED SUPPLY OF COMMODITIES (CONTINUED)

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 16-22

[Article by Duan Yun [3008 7119]]

[Text] V. Amount of Circulating Funds Should Be Suitably Reduced as Conditions Permit; Their Turnover Should Be Accelerated

In recent years many enterprises have kept materials too long in stock and retained for their own use huge circulating funds, while, on the other hand, the capital construction funds of the state were insufficient, unable to meet current needs. Would it be possible to decrease the amount of circulating funds or not to allow any and use the savings to augment capital construction investments? As for the circulating funds currently in the hands of enterprises, would it be possible to decrease them and use the savings for capital construction, making a provision that whoever decreases their circulating funds would be entitled to use a portion of them? This is a problem worth probing.

The socialist accumulations of our country are derived from two sources, namely, fixed assets and circulating assets. Fixed assets comprise plant buildings, equipment, ships and vehicles, roads and various kinds of buildings, being primarily the products of capital construction investments. Circulating assets comprise items in the process of production and circulation, such as raw materials, fuel, semifinished products, products in the process of being manufactured and commodities awaiting marketing, acquired in whole or in part by means of circulating funds through various channels. Circulating funds are a necessary and indispensable item for production and circulation. A plant, after completion of capital construction and having acquired the power of production, must have in its possession a set amount of raw materials and fuel before it can start production. Similarly, a commercial store or shop, after having been built or having acquired its premises and warehouse, must have merchandise before it can start business. The above examples indicate the prerequisites for production and business operations. Accumulations of fixed assets and accumulations of circulating assets must be maintained at an adequate proportion to each other. When capital construction investments are being planned, suitable arrangements must be made for circulating funds. This is an objective demand of production and circulation. We should not be concerned with only the former and neglect the latter.

As stated before, under current conditions the circulating funds of enterprises come mainly from two sources: (1) financial appropriations from the state; and (2) bank loans. The amount of the former is fixed by the state. It represents an uncompensated appropriation to an enterprise and is placed at the disposal of the enterprise. It is considered to be the enterprise's own funds and is also known as fixed circulating funds. As for the latter, they are loans from the bank granted according to plans. They must be repaid on schedule and bear interest at a fixed rate. They are known as borrowed funds of the enterprise and are also known as funds in excess of fixed circulating funds.

Why should an enterprise have fixed circulating funds appropriated from the state treasury? This is because an enterprise must maintain a definite scale of production and circulation and must insure that both production and circulation are not interrupted. Hence, it must have on hand funds to be spent on raw materials, fuel, semifinished products and manufactured goods, as well as commodities awaiting to be marketed. The funds must be retained by the enterprise for long-term use and through the entire process of production and circulation and are absolutely necessary. The so-called fixed circulating funds are the minimum amount of funds fixed by the state for an enterprise on the basis of its normal production and circulation needs and in accordance with the guidelines that the enterprise must accelerate the turnover of funds and practice economy in their use. Generally speaking, an enterprise cannot depend on bank loans to make up this portion of the funds. The governing principle of bank loans is that they are to meet seasonal and temporary needs, they are for short-term turnover only, they must be repaid and the enterprise cannot keep the loan funds for a prolonged period or not repay the loans. More recently the state has decided in principle and is planning to turn over all financial appropriations for fixed circulating funds to the banks, which in turn will issue them to enterprises in the form of loans at a fixed interest rate. It is known that this measure will be in operation experimentally in a number of localities, industries and trades. The advantages are that, like loans issued for purposes of capital construction, this helps strengthen economic accounting on the part of the enterprise, effects economy in the use of funds, facilitates supervision by the banks and improves the management and control of the enterprise. This is one of the items in the current program to reform the economic structure.

If fixed circulating funds are to be made up of loans from banks, then we must watch closely to insure that due arrangements are made in the budget for circulating funds. When the budget is being drawn up at the beginning of the year, allowance must be made for the circulating funds to be appropriated by the state treasury. Subsequently, in the course of execution of the budget, transfers must be made on time by the state treasury in accordance with the plan in order to provide the bank with funds for the loans and to insure that the enterprises will get their fixed circulating funds. When demanding that capital construction be speeded up or that more capital construction investments be made, people frequently turn to the circulating funds, wishing that there be fewer transfers of such funds or none at all. If from now on the banks have unified control over the granting of loans to serve as circulating funds, then it will be more difficult to differentiate between the two kinds of circulating funds. This indeed will become an outstanding problem. As a matter of fact, there are recorded occurrences of this in history. In 1958 a system was put into effect whereby

all circulating funds had to be made up of bank loans. For some time afterward the state treasury did not make any, or made very few, appropriations of funds to the enterprises to serve as circulating funds. What circulating funds the enterprises had were almost entirely made up of bank loans. Within 3 years' time, during which other irrelevant factors also crept in and exerted their influence, industrial and commercial bank loans suddenly increased by more than two times, and as a result the loan and credit equilibrium was disrupted. The issuance of banknotes was increased, commodity prices skyrocketed and there was a tense situation in market supplies. Many of our comrades perhaps recall this occurrence.

At present many problems are encountered in the enterprises' utilization of circulating funds. In general there is a massive increase in the sum total of circulating funds, but their rate of turnover is slowing down. Looking over past historical records, we find that, if 1979 is compared with 1957, the gross value of industrial and agricultural output has increased by 4 times, while total circulating funds have increased by 6.5 times. In 1957 the total amount of circulating funds of state enterprises was roughly equivalent to one-third the gross value of industrial and agricultural output. By 1979 the ratio had increased to nearly 50 percent. If the amount of circulating funds currently in the possession of enterprises is too large, then it means that large quantities of material resources are being held up in the process of production or capital construction or circulation and that they are prevented from playing their full role. Actually, the potential herein is enormous. Effective measures must be taken to reduce the total figure of circulating funds.

However, the problem of the enterprises holding up their circulating funds is a rather complicated one. It needs to be analyzed in a concrete manner and must be handled as the various conditions demand.

First, the industries are keeping in their possession too large an amount of circulating funds. In this connection, the heavy industries, particularly the machine building industry, are the worst offenders. They must be subjected to really serious rectification hereafter. Thus, it is found that for every 100 yuan of sales made by the industrial enterprises the amount of circulating funds in the possession of these enterprises was 23 yuan in 1957 but had increased to 33 yuan in 1979. In 1957 the industries' circulating funds registered a turnover rate of 4.4 times. In 1979 it dropped to only 3 times. The rate of increase of the circulating funds in the possession of the heavy industries was a particularly rapid one. The ratio of their circulating funds to the total circulating funds of industry as a whole was 68 percent in 1957 but went up to 80 percent in 1979. This far surpassed the ratio of increase of the gross value of production of the heavy industries in the gross value of industrial output as a whole. As for the machine building industries, in 1979, for every sale of goods valued at 100 yuan, the amount of circulating funds held up by the industries was over 70 yuan. The holding up of a large amount of circulating funds indicates that the production process is long and that the turnover rate is slow. It indicates that the enterprise has an unnecessary stockpile of goods and that many of such goods are not suitable for sale. Provided that production is progressing normally without any hitch, we must reduce as far as possible all excess funds and excess material resources. This will facilitate an economic use of funds and help to ease the tense situation in the supply of certain materials. The key



to reducing the excess circulating funds and excess materials lies in improving planning, strengthening the comprehensive balancing of all factors and the ability of plans to anticipate events, and strengthening the continuity of production. It lies in improving management and control and in the control departments at various levels, as well as in the production enterprises' giving priority consideration to such matters as the quality, variety and specifications of the products and in their changing the past one-sided method of stressing value, quantity and production speed. It also lies in categorically changing the method of supply of materials, in performing well the task of coordinating the supply of materials, production and marketing and in educating people to no longer keep excess materials and goods in stock. The goods presently stockpiled in warehouses of enterprises should be disposed of by various means, such as selling them or allocating them to others who may find them useful. Efforts should be made to change them or to use them for other purposes, such as making lower grades of goods. In short, "dead things should be changed into live things" and useless articles into useful articles. At present the state is readjusting the national economy. It is studying the reform of the economic control system and readjusting or reshuffling the markets according to pre-laid plans. This is an opportune time for performing the above-mentioned tasks.

Second, the use and holding up of circulating funds by commercial organs have also increased. Among commercial enterprises (not including grain departments), the amount of circulating funds kept in their hands rose from 38 yuan in 1957 to 44 yuan in 1979 for every 100 yuan of sales. In commercial warehouses the prolonged stockpiling of certain unattractive goods or unsalable commodities or commodities of substandard quality or commodities of a seasonable nature has stifled the chances of subsequent sales of such goods with the passage of time. At the same time, certain odd kinds of goods really should not be stockpiled in large quantities. Moreover, in commercial circulation, as a result of the many transitional stages and the manifold and complicated structure of the wholesale and retail organs, commodities are often stockpiled, sometimes unnecessarily, at every stage. This holds up liquid funds and adds to expenses. Problems of this kind need to be studied and solved urgently. We must determinedly lessen the quantity of commodities irrationally stockpiled and must seek to release or reduce the amount of funds that have been held up.

In comparison, the circulating funds of commercial organs and the circulating funds of industrial enterprises embody special points which are different from each other. The circulating funds of industrial enterprises are intended to insure that the enterprises themselves have sufficient funds for normal production, and there is no need for the storage or stockpiling of any articles or materials beyond normal requirement. But the circulating funds of commercial enterprises are intended to insure that society's requirements for commodities can be met and that there is a normal supply of commodities in the cities and the countryside and that commodity prices are kept stable. Basically speaking, the use of circulating funds by socialist commerce resembles the storage of commodities for the state. Many commodities have a bearing on the national economy and on the people's livelihood and must be plentifully stocked. Many commodities are purchased in the busy or peak season but are marketed throughout the year and hence must be well stocked in warehouses. Some commodities go through stages of production, purchasing and marketing all at the same time. They must maintain a

definite rate of turnover and must not be frequently out of stock. Besides, our storage of commercial commodities must serve the purpose of a "commodity reservoir" for society. Some comrades pointed out that in a capitalist society the turnover of commerce is very rapid. This probably refers to only a single commercial enterprise. The general situation in a capitalist society is that there is a surplus of commodities. The volume of commodities which are stored in warehouses must be enormous. Basically, the commodities are stocked either in one enterprise or in another. Otherwise, how is it possible that at a telephone call nearly any kind of commodity can be readily delivered? Speaking of the society as a whole, many commodities, from their initial production until they finally reach the consumer, may have been bought and sold many, many times and may have changed hands frequently, but in reality this denotes that a very large turnover has been completed. Our socialist commerce has the responsibility of supplying society with commodities. It will not do if we do not have definite warehouse facilities. Generally speaking, the supply of many of our commodities cannot meet the demand. And besides, in our country as a whole a massive amount of social purchasing power is still in the hands of the people, possibly temporarily kept in the banks, and has not yet made its appearance. Our country is so big and our population so large that there is no fear of our not being able to sell or dispose of a small quantity of commodities. Therefore, if commercial circulating funds could be reduced, then this applies to only that portion of the circulating funds which should be reduced and is not applicable generally, or without any differentiation. We must remember the bitter lesson of the debacle in commerce in 1953. Nor should we forget the instances of commodities being out of stock and of the panic buying of goods everywhere during the early sixties.

Third, as regards the source of circulating funds, the portion made up of loans from banks should be suitably reduced, but the portion derived from remittances from the treasury should be suitably increased if found insufficient. Over the past years the amount of bank loans issued to cover circulating funds has increased noticeably, while state appropriations serving the same purpose have decreased relatively. In 1953, of the circulating funds of industrial enterprises, bank loans made up 16.7 percent, while state appropriations made up 83.3 percent. In 1979, bank loans went up to 34.6 percent, while state appropriations were reduced to 65.4 percent. It has happened that, when the state treasury failed to transfer the full amount of the circulating funds, many enterprises ultimately had to approach the bank for loans to make up the difference, after various recourses taken had failed. From now on, after having cleared up the stockpiled goods of industrial and commercial enterprises, we should gradually recall a portion of the bank loans and use the money for other needy purposes. Meanwhile, funds that should come from the state should be so transferred from the state treasury. In the case of enterprises newly entering into production, the amount of funds they need should be duly transferred to them. In the case of those enterprises already in existence which have not yet received in full their fixed portion of funds from the treasury, the balance due should be made up gradually. Hereafter, if the fixed circulating funds are to be replaced by bank loans, the amount of funds that should be appropriated should be transferred first to the banks to serve as a source for the bank loans. Naturally, if the bank has plentiful loan and credit funds, it may also be possible, following careful calculation, to suitably reduce the amount of transfers from the state. Moreover, following the projected changes in the financial and currency structure,

such as reducing the centralized receipts of the state, a topic which people are currently discussing, the enterprises will have more funds for deposit in the banks, and the source of the loan and credit funds of the bank will thus be enlarged. In short, in extending loans banks must have a source for the derivation of funds. They cannot rely merely on the issuance of more banknotes.

As for the reduced portion of the circulating funds, can it be used directly for capital construction? Is it possible that any enterprise that has reduced the amount of its circulating funds is entitled to use the reduced portion, or a part thereof, for purposes of capital construction? In general, the answer is in the negative. First, the funds spent on the goods kept long in stock was originally derived from bank loans, and the bank loans were of a short-term and temporary nature, not fit for use on capital construction projects which otherwise would keep them in prolonged usage. In particular, they should not be used for this purpose if in the first place they were intended to help the enterprise balance its accounts. Second, the materials kept long in stock in the warehouse may not necessarily be the kind of materials required for capital construction. Even though part of the materials can be used for capital construction, other materials may still be required, and these may not be procurable. At present the capital construction front is already a long one. The supply of many materials has fallen behind demand. To add new items of capital construction will only increase the tension in materials and equipment and will affect the entire capital construction front as well as investment results. Third, the goods now being overstocked are mostly so-called "longline" goods, or goods that cannot be sold readily. If the enterprise which succeeds in effecting the release of funds it has tied up is permitted to make use of part of the funds released, then inevitably the production capacity of this category of goods will be further expanded, and the "longline" will become longer and longer. This will affect the work of readjusting the national economy and the people's livelihood. As a rule, this should not happen to industrial departments, far less to commercial departments.

In order to practice economy in the use of circulating funds, following the change which stipulates that fixed circulating funds should be made up of bank loans, we may study the feasibility of enforcing various rates of interest, depending on the conditions of use of the circulating funds and the size of the funds held up by the enterprises. This will literally bind together the control of the circulating funds with the profits of the enterprises. As a matter of fact, this is joining together the interests of the enterprise with the interests of the individual workers. In this way it will force the enterprise to strengthen its management and control, to speed up the turnover of funds and, wherever possible, to reduce the amount of circulating funds held up by the enterprise.

As a result of the reduction in the quantity of materials held in stock for a long time and economies in the use of surplus funds, it is possible to correspondingly reduce a portion of the circulating funds. The funds thus reduced should be returned to the bank, which in turn can use them according to plan for the purposes of promoting production, increasing the circulation of capital funds, creating more wealth for the state and further increasing the financial receipts of the state. With the demand for funds lessened and the state's financial receipts augmented, it is entirely possible and necessary for the state, after making an overall balancing of all factors, to increase certain capital construction

investments when the time comes for formulating the national economic plan, the national budget and the loan and credit plans. In checking up on materials held long in stock we can, under special conditions, make use of those materials which are good for use in capital construction, which do not require additional investments and which are not tied up by loans from other departments. For example: If there are available materials and equipment, steel rails, railroad ties and idle labor which draws pay just the same, it should then be permissible to utilize these materials and equipment to start some capital construction projects, provided no additional investments are required. However, in any case we should not without reason remit fewer or no circulating funds to the enterprises and use the money instead for the purpose of expanding capital construction. We should not use the decreased portion of circulating funds directly for capital construction projects, nor should we permit any enterprise which succeeds in reducing its circulating funds to use the money, or a part thereof, at its discretion.

More recently, with the implementation of the two-level system of financial control, some localities have devoted all their available financial power to capital construction. As for the circulating funds which should be remitted from the treasury, including those for the newly established enterprises, the localities would not transfer any at all, or would transfer only a portion, and let the enterprises cover the rest entirely by bank loans. Despite the increase in the number of local enterprises over the past 2 years and the continual expansion of the production scale, the amount of circulating funds from local financial remittances dropped sharply compared with past years. In some localities the enterprises were even required to return a portion of the circulating funds, and the proceeds were then used for some capital construction projects. As for the portion of circulating funds not yet transferred to them, the enterprises were encouraged to cover them by bank loans. In some localities the enterprises were even required to take up certain capital construction work and to finance such work with their circulating funds, so that they ended up with more loans from the bank. There are many such instances of circulating funds being elbowed aside so that capital construction could be expanded. This development must be closely watched.

#### VI. To Expand Capital Construction Investments We Must Study the Market's Supply and Demand Relations

Some people believe that in our socialist state settlement of the transfer and allocation of production materials can be affected by the transfer of accounts. For example, the acquisition of materials and equipment required for capital construction can be settled simply by the transfer of accounts in the finance and accounts departments. No cash payment is involved; hence there is no effect on money circulation in the market. Therefore, when planning capital construction, would it be possible to not consider the money problem at all and to not consider the supply and demand relations of the market?

Settlement by transfer of accounts and cash receipts and payments are two forms of settlement with money as the medium in the course of exchange and distribution. All exchanges of commodities and transfers of materials and goods must use money as the medium in pricing and payment. The difference is that in cash transactions the buyers and sellers pay money on the one hand and take delivery of

goods on the other, directly making a cash settlement. Settlement by transfer of accounts is done through the bank, whereby a sum is deducted from the buyer's deposits and a corresponding amount added to the seller's deposits. In this way, settlement is effected by transferring the amount involved in the transaction from the account of one party to the account of the other party. This method is also known as a noncash settlement. The advantages in making a settlement by transfer of accounts are that it avoids the need to carry around a large sum of money, avoids the need to count the money and requires no safekeeping. This helps speed up the turnover of funds and facilitates the state's supervision of the economic activities of the parties concerned. In capitalist society, checks and credit cards are in frequent use. This is also one way of effecting settlement by means of transfer of accounts. In settlement by transfer of accounts the prerequisite is that the payer must have deposits in the bank or already has a loan from the bank. Without a source of funds, settlement by transfer of accounts cannot be carried out. Thus, for it to exist there must be a receipt or a money payment.

The production of materials such as equipment required in capital construction and the production of materials for consumption do not proceed in isolation from each other. There must be a mutual exchange between the two. When a transaction for the sale of production materials is concluded, aside from settling the transaction by means of a transfer of accounts, it is necessary to procure a portion of cash for the purpose of paying salaries and wages. In capital construction, purchases of bricks, tiles, sand and stone and payment for services rendered and of salaries and wages all require some cash on hand to pay the workers, employees and peasants so that they may purchase necessities from the market. Similarly, in transactions involving sales of the means of subsistence, it is also necessary, besides acquiring some cash receipts to pay wages and service expenses, to resort to settlement by transfer of accounts for the purchase of production materials such as raw materials and fuel. This is to say that the production and exchange of production materials do not completely go through the process of settlement by transfer of accounts. At the same time, transactions involving settlement by transfer of accounts apply not only to production materials but also to the means of subsistence. In this way, in the course of the exchange of these two categories of products extending from the realm of production to the realm of consumption, currency or money frequently changes its mode of usage, sometimes as the medium of transfer of accounts and sometimes in actual monetary form in cash transactions. It certainly cannot be said that the acquisition of the materials and equipment for capital construction and the entire process of the production and exchange of production materials have no connection at all with the turnover of money.

Labor creates value. The value of any product is made up of two parts. One of them is the materialized labor consumed in the course of production, including converted or transferred value derived from the consumption of raw materials and the wear and tear and depreciation of the machinery and equipment. The other part is made up of the newly created value from labor expended in the course of production by the workers. To go deeper in the analysis, if we trace the source, it will be found that the materialized labor expended in the making of various products is likewise derived from expending labor. Labor having created value, aside from a portion taken out for remittance to the state treasury in the form of profits and taxes to meet social needs and collective spending, the balance is

used as compensation for the labor and paid to the workers so that the latter may use it to meet their daily needs and those of their families and maintain their good health which is needed to continue production. Irrespective of whatever form of settlement and whether it be the purchase of production materials or the purchase of the means of subsistence, all financial payments and capital construction investments must ultimately have a portion converted into money receipts for the urban and rural residents to be, in turn, converted into the purchasing power of society for use in the market to purchase commodities.

Capital construction plays an important role in increasing fixed assets and expanding productive power. We must do the utmost to increase capital construction investments based on the feasibility and needs in order to accelerate the progress of modernization and construction. This has an important bearing on the future of our country and on the long-term and fundamental interests of the people of the whole country, but in formulating the national economic plan we must take into consideration the balancing of supply and demand in the market. The scale of the construction arranged for must be suitably adjusted to the supply of commodities in the market. As for how large the capital investments should be, we must consider whether the required funds are available, whether the production materials and equipment required are available, whether so much new purchasing power should be injected into the market and whether the needed means of subsistence can be procured. If the scale of the capital construction is too large and there are many construction projects, then this will result not only in a tense situation in the supply of the production materials but also in too large an increase in the purchasing power of society, which in turn exerts extra pressure on the supply of the means of subsistence. This in turn will adversely affect the stability of the market and the people's livelihood. In the allocation of capital construction investments, attention should be paid to increasing the production of the means of subsistence. Since agriculture and the light industry are the primary sources for the supply of the means of subsistence, the relationship among agriculture, light industry and heavy industry must be handled correctly. The proportions of the investments in agriculture and light industry in the total capital construction investments must be increased. We must insure the coordination and development of production in these two large areas and insure that there is a large increase in the production of the means of subsistence in order that more commodities are available from the market to meet the needs arising from the continuous growth of purchasing power.

Over the past several years the experiences and lessons we have gained on this score have been numerous. Because the capital construction plan surpassed the capacity of the market, the supply of many commodities lagged behind demand. Market stability was affected, as was the smooth progress of production and construction. We must take due note of the internal relations between accumulation and consumption and between the production of materials and those of the means of subsistence. We must make unified planning with due consideration for all concerned and suitably arrange the scale of capital construction. We must correctly handle the internal proportionate relationships of capital construction and insure that the national economy will firmly progress in a planned manner and following a course of proportionate development. This may appear to be a little too slow. In fact, it is not slow but is fast.

## VII. We Must Arrange in a Planned Manner the Relations Between Commodities and Money in the Market

Would it be feasible to contend that in formulating the national economic plan it is not necessary to seek the balancing of supply and demand in the market? It is argued that the relations of supply and demand in the market are largely flexible and that, even though there is disparity in the market's supply and demand, ultimately in the execution of the plan a state of balance will be reached naturally. In other words, when we plan the various kinds of fiscal expenditures and construction projects, is it possible not to consider the reciprocal relations between commodity and currency circulation and to ignore the need for balancing commodity supply and the purchasing power of society?

As already stated above, all economic activities are indivisible from currency movements. In the end, the purchasing power of society must be entirely exchanged for commodities. Under the condition that commodity production still exists in a socialist society, money and commodities circulate separately along different channels and in their own individual forms but are mutually joined together and adjusted to each other. The amount of currency required in the market is determined by the scale and speed of commodity circulation. Generally speaking, on condition that the speed of commodity circulation remains unchanged, the larger the volume of commodities in circulation, the larger the currency volume required. On the other hand, the larger the currency volume in circulation, the more the commodities required. Only when currency circulation and commodity circulation adjust to each other can the entire circulation process progress in a normal manner and can there be stability in commodity prices and the value of money in the market.

Whether the circulation of commodities and the circulation of money in the market are suitably adjusted to each other forms the major problem in the circulation process. It centrally reflects whether the national economy is developing smoothly, whether the proportionate relationships among agriculture, light industry and heavy industry and between accumulation and consumption are rational, and whether the planning made for national construction and the people's livelihood is suitable. If there is an inequitable increase in various expenditures, if too much money is thrust into the market, and if the purchasing power of society surpasses the market capacity to supply commodities, then the excess purchasing power will play havoc everywhere. First of all, this will cause a rise in market prices. It will encourage state enterprises and collectively owned enterprises to raise the prices of their products or to do so covertly. If money circulation in the market exceeds normal requirements, doubling the volume of banknotes issued will depress the value of currency by one-half or more than one-half. This is a law confirmed by events in the past and present and in China and abroad. With an abundant amount of banknotes in circulation in the market and a relative decrease in the supply of commodities, the price of commodities goes up while the value of money goes down. People with money in their hands can buy fewer goods than before. Besides, the supply of commodities becomes insufficient, and the kinds and varieties of goods available become fewer. Commodities are frequently out of stock, and even with money in their hands people cannot procure or buy the goods they want. In this way, commodities and currency become disjointed, and the relations between supply and demand are deranged. Eventually the interflow of

goods between the cities and the countryside will be adversely affected, which will adversely affect the people's livelihood, the worker-peasant alliance and general stability and unity.

Look at things in a socialist state; a relatively stable currency is not only an important requisite for stability and unity and for betterment of the people's livelihood but also one of the indispensable conditions for implementing a planned economy. Our country is using the function of currency as the yardstick of value to implement business accounting in the enterprises and to institute comprehensive balancing of the national economy. It uses the function of money as a medium of payment to implement the principle of distribution according to work. It employs the function of currency as a circulating medium to promote commodity production, expand commodity circulation and promote mutual help and interexchanges and intraexchanges between rural and urban areas. In the event of an excess flotation of currency in the market, the value of money will fall correspondingly. In such a case, money cannot correctly reflect the value of the products, and if this situation develops, planned control and business accounting will meet with difficulties, distribution according to work will become a false gesture, the exchange of commodities will be impeded and the development of the national economy will be seriously affected.

Preserving a state of balance in the supply of and demand for commodities in the market, stabilizing currency value and stabilizing commodity prices are the guidelines that we have adopted all along. In the early period following the establishment of the republic the state took firm steps to unify the currency system and rigidly control the issuance of banknotes. At the same time, it restored production, energetically mustered all available material resources and suppressed speculative activities. Very soon the serious state of inflation that had been left over by the Kuomintang was rectified and commodity prices were stabilized. During the period of the war to resist the United States and aid Korea the party and the state adopted the policy of simultaneously stabilizing, fighting and constructing but still keeping market stabilization in an important position. As commodities and currency maintained a state of balance and the market was stabilized, advantageous conditions were offered for the smooth conduct of the war and for construction. Subsequent experiences through the years likewise testified that, when the conditions of supply and demand in the market were in a state of balance and both commodity prices and the value of money were stabilized, economic construction would progress smoothly, and that when the contrary was the case economic construction would be impeded. People may still remember conditions in the economically difficult period of the 1960's. At that time the state was forced to take emergency and determined measures to readjust the economy. The readjustment was absolutely necessary. It yielded enormous results, but the price paid was also enormous. In economic construction it is necessary to pay frequent attention to achieving market stability. Once stability is achieved, then we shall be treading on firm ground and can do a solid job of construction, without fear of undue repercussions.

Therefore, in formulating the national economic plan we must watch closely the production and circulation targets of the various departments and the conditions of fiscal receipts and disbursements and of credit and loan receipts and payments. We must take careful stock of the monetary receipts and payments of the urban and rural population and of the available supply of commodities. We should examine



and balance again and again all the factors concerned and endeavor as much as possible to achieve a balance between the purchasing power of society and the available supply of commodities. We should closely link the different sectors of production, distribution, exchange and consumption. In planning various undertakings and enforcing various kinds of measures we should consider whether the quantity of money put into the projects and the available supply of commodities in the market are mutually balanced. In taking up construction projects or measures to increase production, or in readjusting wages and salaries or readjusting commodity prices, we must first estimate the amount of money to be so expended. We must examine what potential demand the spending of this amount of money will have on the supply of commodities. We must make all currency disbursements be duly compensated by a corresponding availability of commodities. We must achieve the aim of making the various targets harmonized and coordinated with each other and avoid their being mutually contradictory or mutually disjointed. In the event that there is an excess amount of money in the market, and when the amount of money in circulation surpasses what is needed for commodity circulation, timely measures must be taken to withdraw part of the money in circulation and, wherever possible, to gradually recall the excess banknotes in the market. We must then open wide the gates of production, increase the supply of commodities and step up the purchase and marketing of goods. We must also massively develop the service trades and the cultural and art professions and thus increase currency withdrawal by means of the noncommodity trades. We must on all sides rigidly control currency disbursements, adequately retrench financial expenditures and depress the purchasing power of organizations and groups in society. We must earnestly seek an increase in savings and deposits and tightly control various kinds of loans and credits.

Last year the deficit in our national finance was rather enormous. Still there were no serious effects on market supplies. The reasons were: First, production was increased, and the state had control of more material resources. Second, there was an increase in people's savings and in the bank deposits of the enterprises, organs and groups, both of which served to increase the sources of supply of funds for credit and loans. Third, during this period the banks granted loans strictly according to plan, paid attention to currency withdrawal and rigidly controlled the injection of money into the market. All these measures helped to modulate the adverse effects of the fiscal deficit and, to a certain degree, helped to regulate the balance of commodities and currency in the market. These conditions illustrate the importance of giving all-round consideration to all factors concerned and of comprehensively arranging and planning the balancing and coordination of finance, credit and loan and material resources. Even though the conditions of market supply still appear to be good, we should not reach the conclusion that a deficit in the national budget is but a small matter. Nor should we think that banks can ignore the fact that there is a fiscal deficit and instead grant even more loans or inject more money into the market.

Socialist planned economy requires that money and currency be subjected to planned control and be regulated and that money circulation should likewise be put under planned control. Only under a socialist regime can there exist conditions for the better performance of such tasks. Over the past few years, when the fiscal plan was formulated in the early part of the year, the disbursements

planned were much too large, with the result that purchasing power increased too fast and there was a disparity between commodity availability and purchasing power. As the year progressed the state took various measures to withdraw currency in circulation and to control the further injection of money into the market. It took steps to increase the output of the light and textile industries, increase the importation of commodities from abroad, promote and expand savings in the cities and the countryside, and at the same time rigidly control the purchasing power of social groups. Consequently, in certain years the object of achieving a basic balance of commodity supply and purchasing power was achieved. In other years the aim of achieving an ultimate balance could not be achieved. Currency flotation was then in excess of normal requirement, and there was an excess circulation of money in the market. The results were: First, the prices of certain commodities in the market went up, which caused the withdrawal of a portion of the purchasing power. Second, a portion of the excess money in circulation remained in the hands of the residents, which meant difficulties in the ensuing years. As a matter of fact, excess money in people's hands must ultimately be used to purchase commodities. A deficit is always a deficit, and a deficit this year must be made good next year. If there is a deficit for a number of years in succession, then there is a snowball effect: the deficit keeps getting larger and larger. There is little flexibility in the markets' supply and demand. No deficit can be automatically balanced in the subsequent execution of a fiscal plan.

CSO: 4004

## KANG SHENG'S THEORY OF 'DEVELOPMENT' AND MODERN SUPERSTITION

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 23-27

[Article by Ma Zhongyang [7456 0112 2254]]

[Text] Marxism-Leninism is a developing science. Its founders always regarded it as a theory of development and a guide for action. They were against regarding it as a static and rigid dogma. However, in his prattlings about the development of Marxism by Comrade Mao Zedong, Kang Sheng--the "theoretical authority" who controlled China's theoretical circles for a long time--willfully distorted things in order to sell his anti-Marxist contraband. His so-called "development" appeared to be an embellishment but was actually an insult. Under the cover of discussing this "development," he made false charges against others in order to build himself up. His theory of "development" was the spiritual prop of Lin Biao and the "gang of four" and was the ideological basis for promoting modern superstition. Thus, unless this fallacy of Kang Sheng is done away with, it will be impossible to restore the true colors of Mao Zedong Thought.

### I. Development or Vulgarization?

Comrade Mao Zedong said: "Marxism must necessarily advance; it must develop along with practice and cannot stand still. It would become lifeless if it were stagnant and stereotyped." ("Selected Works of Mao Zedong," Vol 5, p 417) The history of the past 100 years or more since the introduction of Marxist theory shows that all great Marxists who fought for it made some contributions in their own special ways. However, when we appraise their contributions, we must base ourselves on the social practice of their times and uphold the principle of seeking truth from facts. Subjective assertions, exaggerations or disparagement made with ulterior motives are fundamentally wrong. They cannot withstand scrutiny.

At a meeting in August 1966, Kang Sheng said that he had been talking about Comrade Mao Zedong's "all-round development" of the three components of Marxism since 1957. Can the stuff cooked up by Kang Sheng be called "development"? No, it was just another outpouring of his shameless braggadocio. However, he did begin to spread his theory of "development" in 1957, and the trotting out of his theory more or less coincided with our party's turn toward a more tortuous course during the socialist period. Apparently, the trotting out of Kang Sheng's theory of "development" was the result of long years of spying and scheming. In 1956, when our socialist cause had reached an important turning point and the socialist transformation of the ownership of the means of production had been basically

completed, our party convened its eighth national congress. At that congress our party declared that class struggle had basically come to an end and decided to shift its work focus to economic construction. At the same time, it also called on us to uphold the mass line, strengthen democratic centralism, oppose subjectivism and bureaucratism, strengthen collective leadership, guard against the personality cult and so on. Unfortunately, our party leaders began to lower their guard in the face of victory. At that time a handful of bourgeois rightists launched an offensive against us, and our sizing up of the situation of the antirightist struggle did not quite tally with the facts.

We made the mistake of magnifying the scope of class struggle and failed to rectify it in time. This was undeniably a grave error. Kang Sheng made use of the problems which existed in our party leadership to carry out sabotage and create confusion. As soon as he emerged from his long convalescence, he poked his nose into the theoretical circles. Taking advantage of his position and power as deputy chief of the CCP Central Committee's cultural and education group, he did his utmost to strike up a tune that ran counter to the line of the eighth national party congress. The theory of "development" was an important weapon with which he attacked the guidelines of the eighth national party congress. He not only talked glibly about "all-round development" but prattled about "surpassing in an all-round way." His claptrap outbursts have rarely been paralleled in the history of our party as far as their duration, frequency, scope and divergence from the truth are concerned.

With Comrade Mao Zedong as their outstanding representative, the proletarian revolutionaries of China combined the universal truth of Marxism-Leninism with the actual conditions of the Chinese revolution in their protracted revolutionary practice and won victory in a big but backward country accounting for a quarter of the world's population. This was a victory for Marxism-Leninism of the Chinese type, that is, Mao Zedong Thought. Mao Zedong Thought has indeed added a new weapon to the treasure house of Marxism-Leninism. This is an objective truth apparent to all and also reflects gloriously on our party. An important task before our theoretical workers is to realistically appraise how Mao Zedong Thought has enriched and developed Marxism-Leninism.

How did Kang Sheng expound his notion of "development"?

Kang Sheng repeatedly professed that times had changed and that "the old set of theories" was "no longer able to explain things clearly." He said at a meeting on 2 December 1959: "Mao Zedong Thought is the Marxism-Leninism of a new historical period wherein the world has split into the imperialist and socialist camps and when socialist revolution and construction have entered a new stage of development." In his opinion, the interpretation of Mao Zedong Thought made by our party at its seventh national congress was an "old set of theories" which was "no longer able to explain things clearly." He thought only his "new" interpretation conformed to the so-called needs of the times. It was precisely this "new" interpretation of his that served as the basis for Lin Biao's definition of Mao Zedong Thought. In December 1966, Lin Biao declared: "Mao Zedong Thought is Marxism-Leninism at a time when imperialism is heading toward total collapse and socialism is heading toward worldwide victory." In a sense, this is Lin Biao's "development" of Kang Sheng's view.

It should be pointed out that both definitions of Mao Zedong Thought made by Kang Sheng and Lin Biao fundamentally negated the fact that we were still living in an era of imperialism and proletarian revolution. This was their analysis and appraisal of worldwide developments. Hearing their definitions, people would naturally ask: Is time subordinate to definition or is definition subordinate to time? Objective historical development shows that both definitions made by Kang Sheng and Lin Biao were ridiculous. The time they referred to no longer existed. Therefore, their definitions of "Mao Zedong Thought" were also untenable.

In a speech delivered in May 1966, Kang Sheng said: "To be more precise, Mao Zedong Thought should be called Mao Zedongism. It has developed Marxism-Leninism in an all-round way and has surpassed Marxism-Leninism. It is the pinnacle of contemporary Marxism-Leninism." "Why do we say that Mao Zedong Thought is the pinnacle of contemporary Marxism-Leninism? We can divide the past 100 years or more into three periods: 1) The period of Marxism--an era of capitalism in which socialism had not yet emerged; 2) the period of Leninism--an era when imperialism was on the decline; and 3) the period of Mao Zedong Thought or Mao Zedongism, in which Mao Zedong Thought has enriched and surpassed Marxism-Leninism in an all-round way." He decked himself out as a superman with exceptional insight, as if he was the only person who recognized Comrade Mao Zedong's "development" and act of "surpassing," and the people in their millions were either fools or the common herd who simply did not recognize or acknowledge this "development." Thus, after talking about "surpassing" the three components, he went on to ask in an overbearing tone: "How can we say there is no surpassing? How can we say it is not the pinnacle, not the highest embodiment of Marxism-Leninism?" However, he was vague about this development and surpassing. It was impossible to get any answer from him. He was neither discussing a theoretical issue nor telling us about the development of Mao Zedong Thought. He was clearly proclaiming a dogma which demanded only blind faith but no analysis.

Kang Sheng tried to fool people with his tale about "the pinnacle" and "the highest and ultimate criterion." Actually, this was "shopworn stuff" which had already been thoroughly discredited by the authors of Marxist classics.

In exposing the spiritualist charlatans, who were devout religious believers, Marx and Engels pointed out in their book "German Ideology": "In the opinion of the idealists, a movement to change the world only exists in the mind of a certain person who is chosen by God." "The entire development of history is reduced to an abstract theory which the process of historical development has formed in the 'minds' of 'all contemporary philosophers and theoreticians'.... There must be a sacred mind worthy of being called the pinnacle, the brunt of the minds of all these philosophers and theologians. This pinnacle, this keen mind, is the unity of thinking of all slow-witted minds. It is the savior." ("Collected Works of Marx and Engels," Vol 3, pp 630, 631) Using a change in time as an excuse, Kang Sheng referred to Comrade Mao Zedong as the "pinnacle," which was actually a synonym for "savior" and was used by the founders of Marxism to expose and sharply criticize the idealists. In so doing he was obviously not exploring the truth about the development of Marxist theory, but was molding public opinion for modern superstition.

Fallacies like "the highest and ultimate criterion" have long been thoroughly refuted in Marxist writings. Lenin said: "On the most complex questions of science in general, and of historical science in particular, Duhring scattered words right and left: ultimate, final and eternal truth. Engels jeered at him. Of course there are eternal truths, Engels said, but it is unwise to use high-sounding words in connection with simple things. If we want to advance materialism, we must drop this trite play with the words 'eternal truth.'" ("Selected Works of Lenin," Vol 2, p 132) What is the difference between Duhring's ultimate and eternal truth and Kang Sheng's notion of "the highest and ultimate criterion," which sounded like God's will? If Kang Sheng did not intend to sling mud at Comrade Mao Zedong, why did he use such vulgar words in connection with him?

"The three milestones" which Kang Sheng made a fetish of were also preposterous notions that ran counter to Marxism. If we divide historical periods in the order of several great men, it is tantamount to openly admitting that history is created, not by the masses of the people, but by heroes. Actually, Marxism is the crystallization of the experience gained by the millions and millions of oppressed and exploited people in revolutionary struggles. Marxists have always held that "the theoretical conclusions of the communists are in no way based on ideas or principles that have been invented, or discovered, by this or that would-be universal reformer." ("Selected Works of Marx and Engels," Vol 1, p 264)

It is obvious that, although Kang Sheng claimed that he was talking about Comrade Mao Zedong's "development" of Marxism, he was actually doing his utmost to trample upon and vilify Marxism-Leninism-Mao Zedong Thought in Mao Zedong's name. This was his real intention in prattling about "development."

## II. Science or Theology?

Comrade Mao Zedong was a great Marxist. He was a man, not a god. Mao Zedong Thought is a component of Marxism; it is science, not theology. Kang Sheng obviously had ulterior motives when he inflated Comrade Mao Zedong and Mao Zedong Thought until they were beyond recognition and placed them above the founders of Marxism and their scientific system.

Kang Sheng said at a meeting in August 1966: "Comrade Mao Zedong has brought up and solved a series of important problems of our time, problems which were never encountered, raised or solved by Marx, Engels or Lenin," thus surpassing these three components of Marxism. "The surpassing of these three components alone is not the full account of Comrade Mao Zedong's development of Marxism-Leninism. Our chairman's theory about people's war and the people's army, his theory about the Great Proletarian Cultural Revolution and his teaching on party building have greatly enriched and developed Marxism-Leninism and surpassed Marxism-Leninism." In Kang Sheng's eyes, Mao Zedong Thought was not a component of Marxism. Quite to the contrary, Marxism was a component, a very small component, of Mao Zedong Thought. Why? Because each of the three components of Marxism was surpassed by Mao Zedong Thought. In what way was each of these components surpassed? Kang Sheng said: Philosophically, Mao Zedong "has greatly developed the dialectical materialist theory of knowledge." He said: Mao Zedong "criticized Engels' three formulas, saying that mutual qualitative transformation is wrong; that the negation of negation is wrong; and that things are negated and then affirmed, the

core of which is the unity of opposites. The three formulas cannot be juxtaposed. Lenin emphasized the unity of opposites without criticizing Engels. Stalin invented his own four principles. Our chairman negated all these and summed up his theory as the unity of opposites, or one dividing into two. Our chairman was the first one to advance this theory. He has greatly developed and surpassed Marxism-Leninism."

Why did Kang Sheng say this? His purpose was obvious: to do all he could to debase Marx, Engels, Lenin and Stalin under the pretext of praising Comrade Mao Zedong and to sound his own trumpet by these despicable means. Was it right for Engels to sum up dialectics in three laws? First, we must consider whether or not such laws conform to the objective law of the development of things. Subjective dialectics is the reflection of objective dialectics. As Engels pointed out: "Nature is the test of dialectics, and it must be said for modern science that it has furnished this test with very rich and daily increasing materials, and thus has shown that in the last resort nature works dialectically and not metaphysically." ("Collected Works of Marx and Engels," Vol 20, p 25) Second, the three laws of dialectics are universal principles of Marxism. Marxists have always treated important theoretical issues of this kind with great prudence. Based on the vast amount of data furnished by objective dialectics, we should raise questions and put forward criticism, make corrections and amendments, or advance new theories on this basis. This is the inquisitive approach of Marxists; it is also an objective process of enriching and developing Marxism. Marxists have always opposed dogmatism and the ossification of thinking. At the same time, Marxists are also against oversimplified negations and crude subjective assertions. Kang Sheng's lack of reasoning, his way of proclaiming who was right and who was wrong as if he were the judge, and his presumptuous patriarchal work style are the result of the malignant inflation of this careerist's lust for power.

Kang Sheng uttered the nonsense that mutual qualitative transformation and the negation of negation were wrong. He negated two of Engels' three laws without explaining why they were wrong. Engels had comprehensively and profoundly proved the laws of mutual qualitative transformation and the negation of negation, holding that these two universal laws have played an extremely extensive role in the development of nature, history and thinking. Kang Sheng said they are wrong but did not present sufficient facts to show why they were wrong. Neither did he produce sufficient evidence to prove Engels' mistakes. This was obviously not a scientific attitude, still less a development of Marxism.

Comrade Mao Zedong did develop Marxism to some extent. This is an objective fact. However, this development did not entail solving problems which had never been encountered, raised or solved by Marx, Engels or Lenin, as Kang Sheng believed was the case. It entailed solving individual problems under different historical conditions by proceeding from different realities. Marxism is a scientific system. Marxists have always regarded it as a great cause and have contributed their specialties, their very best, to make it the common spiritual wealth of the advanced human race. Comrade Mao Zedong's theory of people's war, his theory of encircling the cities from the countryside, his teaching on party building and so on all constitute such spiritual wealth. Kang Sheng approached this question with an entirely different attitude. He regarded Marxism as a joint stock company in

which dividends are paid and merits recorded according to how much a person has invested and how many shares he holds.

Are we against surpassing? No. It is normal for later generations to surpass their predecessors and pupils to surpass their teachers. What Kang Sheng referred to when he talked about "surpassing" were theoretical errors and fabrications. His utterances were fundamentally opposed to Marxism. How can we arbitrarily equate his fiction created out of sophistry with Marxism?

Mao Zedong Thought combines the universal principles of Marxism with the practice of the Chinese revolution. It conforms to objective reality and is accepted by the whole party. It has not gone beyond the bounds of Marxism, still less has it surpassed the three components of Marxism to cover other aspects, as Kang Sheng exaggerated. Nonsensical drivel does not constitute science. Science means honest, solid knowledge. Comrade Mao Zedong admonished the whole party to prohibit adulation and beware of flattery from the bourgeoisie. He said: "We must not be conceited even a hundred years from now. We must never be cocky." When people said he was being modest, he said: "It is not out of modesty.... With science, modesty or immodesty is not the issue." "We must believe in science and nothing else, that is to say, we must not have blind faith in anything. What is right is right and what is wrong is wrong.... To believe otherwise is blind faith. We must do away with blind faith. We should believe in what is correct and not in what is incorrect, be it ancient or modern. Not only that, we should criticize what is incorrect. This alone is the scientific approach." ("Selected Works of Mao Zedong," Vol 5, p 131) On the question of how we should treat the founders of Marxism-Leninism, Comrade Mao Zedong specifically pointed out: "We must not place Chinese comrades on a par with Marx, Engels, Lenin or Stalin. Our relationship to them is one of pupils to teachers, and that is how it should be. Observance of this regulation is true modesty." ("Selected Works of Mao Zedong," Vol 5, p 97) Kang Sheng knew about these teachings, but what he did was just the opposite. He reversed Mao Zedong's relationship to Marx, Engels, Lenin and Stalin. In particular, he casually declared the theoretical concepts of Marx, Engels, Lenin and Stalin to be "errors" and flattered Mao Zedong regardless of the consequences. His attitude was not one of seeking truth from facts. This gives people a feeling that what he preached was not science, but some kind of moribund theology.

### III. Theoretical Authority or Theoretical Ruffian?

Mao Zedong Thought was originally the crystallization of the experience of the Chinese Communist Party in leading the Chinese revolution and was dearly loved by the Chinese people. However, after Kang Sheng's meddling, it lost its original features and became something supernatural and forbidding—a big stick in the hands of Kang Sheng. He held a cannon in one hand and a big stick in the other. Anyone who accepted his teachings was revolutionary, anyone who rejected them was counterrevolutionary.

Kang Sheng vilified Peng Zhen, Luo Ruiqing, Lu Dingyi and Yang Shangkun as the "four big clans." He fabricated four "charges" against these four comrades: "1) Objecting to the idea that the chairman is a great leader, the leader of the people throughout the world; 2) objecting to the idea that Chairman Mao has developed Marxism-Leninism in an all-round way, that he is the pinnacle of



contemporary Marxism-Leninism and is the highest embodiment of Marxism-Leninism; 3) totally opposing the study and dissemination of Mao Zedong Thought, especially the dissemination of Mao Zedong Thought to the whole world; and 4) vilifying the creative study and application of Chairman Mao's works as oversimplification, vulgarization and labeling." These were the "models" for elevating minor mistakes to the level of principle irresponsibly trotted out by Kang Sheng at the beginning of the 10-year disaster. None of these four "charges" tallied with Marxism-Leninism-Mao Zedong Thought. They were the downright despotic thoughts of Kang Sheng and Lin Biao. They also bore a close resemblance to the laws and regulations followed by the Inquisition in expelling heretics in the Middle Ages. Kang Sheng really deserved to be called the "adviser" to and "teacher" of Lin Biao and the "gang of four." At a cadre meeting on 2 December 1959, he said: Those who oppose Mao Zedong Thought can be classified into two types. Some voice their opposition overtly, others "voice their opposition covertly," saying that we must "respect Marx" and "must not surpass Marx." What kind of "Mao Zedong Thought" was this? What had this "Mao Zedong Thought" to do with Marxism? Was it a revolutionary theory or a butcher's knife with which Kang Sheng cruelly injured or killed revolutionary comrades?

Kang Sheng became well known throughout the party and country for seizing upon others' faults, putting labels on people and wielding a big stick. He once said in May 1966: "All questions of revolution are questions of political power. Political power grows out of the barrel of a gun. This saying is one of the highest and most enduring of concepts. Whether one is for or against this saying is the acid test for distinguishing between revolutionaries and counterrevolutionaries." Actually, this was not the acid test. Kang Sheng regarded each interpretation he made of Comrade Mao Zedong's sayings as the acid test between revolutionaries and counterrevolutionaries. He then went a step further and regarded each of his own remarks as the acid test. Hadn't someone in the Central Party School declared that he would "closely follow" "each and every instruction" given by Kang Sheng? Many revolutionary comrades were branded "active counter-revolutionaries" because they did not raise a hue and cry according to the tone set by Kang Sheng. That was how large numbers of frameups and unjust cases came about. What was meant by Lin Biao's "power of suppression" and Zhang Chunqiao's "all-round dictatorship"? We can obtain a concrete explanation from the frantic persecutor Kang Sheng and from the large numbers of frameups and unjust cases attributable to him.

The method used by Kang Sheng in pushing his theory of "development" was: Prosperity to those who obey me and ruin to those who defy me. Among those who obeyed him were people who prospered at first but met their doom in the end because his interests changed with time. He decked himself out as the embodiment of the correct line and falsely accused those comrades who resolutely upheld the correct line of practicing revisionism. For example, he said that, in the decade since he took over the Central Party School in 1957, 10 two-line struggles had been waged. "One was Chairman Mao's revolutionary line and one was Liu Shaoqi's bourgeois revisionist line." He naturally stood for the former line. Who stood for the latter line then? Liu Shaoqi and others, he said. Who were the ones who directly fought against him? There were the successive principals of the Central Party School under his leadership, such as Yang Xianzhen. In his speech he also mentioned the names of many leading comrades of the Central Committee and comrades

of the Central Party School. This entire speech was sheer fabrication. Kang Sheng said that the Central Party School had more than 10 layers of "big, deep and thick" lids to cover up the truth about class struggle. He made himself out to be the lone hero who upheld the correct line and used this monstrous lie to deceive young people. He waged a punitive attack against the Central Party School as though it were "a struggle stronghold of opposition to Mao Zedong Thought." All middle-level cadres and key members of the teaching staff of the party school who did not go along with his fallacies were mercilessly persecuted and struggled against. No one escaped. Kang Sheng once said that the provincial and municipal party schools throughout the country were "all no good." For this reason, these party schools got treatment similar to that given the Central Party School. Thus, all party schools throughout the country were regarded as "black strongholds" and targets to be "smashed." This was what he did to the party schools and to the whole theoretical circle. Where the Kang plague spread, everyone suffered. As a veteran theoretician said: "Everyone turns pale at the mention of Kang. If you are doomed, you are doomed." People can clearly see how Kang Sheng's power and influence malignantly swelled as the theoretical contingent received a crushing blow.

Marxism tolerates no personality cults, and Marx, Engels and Lenin all detected personality cults. Kang Sheng, however, refuted this view: "The slogan of opposing so-called personality cults is improper and unscientific, even wrong. The reason is that this slogan does not analyze the relationships among classes, political parties and leaders and between an individual and the masses according to the Marxist-Leninist standpoint and the class standpoint." He had the effrontery to claim that so-called personality cults are aimed at "defending and developing Marxism-Leninism." It was under the cover of this "development" that Kang Sheng laid the ideological foundation for modern superstition and paved the way for Lin Biao's and Jiang Qing's god-making movement. Today we Marxists indeed have a grave task before us, and that is to defend Marxism. This requires us to eliminate the "theoretical pollution" caused by Kang Sheng and clear the way for the true development of Marxism in our country.

CSO: 4004

## LOOK AT 'ONESELF' DIALECTICALLY

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 28-32

[Article by Ma Junchi [7456 0193 0796]]

[Text] The fifth issue of the magazine ZHONGGUO QINGNIAN published a letter by Comrade Pan Xiao [3382 2556] in which he put forward his views and doubts as to how the problem of "self" should be understood. This has aroused much interest among youths. I, too, am a young student. This makes us one in the quest for truth and in the search for the meaning of life. Then, how should one treat the problem of "self" so that one can establish a revolutionary outlook and be of use to the construction of the four modernizations?

History has shown that only Marxist philosophy can really clear up the enigma that surrounds the concept of "self" and provide a solution. Here I attempt to make a general analysis of several aspects of the problem of "self" on the basis of the fundamental precepts of Marxist philosophy.

### "Looking After One's Own Interest" and "Giving Up One's Own Interest"

Marx and Engels pointed out that "it is not consciousness that determines being but being that determines consciousness." ("Collected Works of Marx and Engels," Vol 3, p 30) No matter in which society, one's consciousness is always a reflection of one's being. Each one of us is a component of real life. All of us have various objective needs for our material and cultural life. It is only natural for everyone to look after his own interest and be consciously self-seeking. The consciousness of "self" is not only natural; it is also a product of social being. Various social relations, particularly economic and class relations, will have far-reaching and determining effects on people's consciousness. In a society founded on the system of private ownership which is characterized by conflicting interests, a "self-seeking" mentality is only natural. In our socialist society founded on public ownership of the means of production, everyone has certain contradictions with others, with the collective and with society. These contradictions will be reflected in people's thinking and conceptually become conflicts between the inclination to "look after one's own interest" and the inclination to "look after other people's interests."

The inclination to "look after one's own interest" in our thinking has its objective foundation. Does this mean that man is essentially selfish? Is it a common trait of mankind to "consciously look after oneself"? No, certainly not.

Marx pointed out that "human nature is not something which the individual has in the abstract. In reality, it is the sum total of social relations." ("Collected Works of Marx and Engels," Vol 2, p 18) Since different periods have different social relations, people have different characters.

In ancient times the low level of productivity preconditioned a social relation founded on primitive public ownership. This kind of social relation was still unable to give rise to a self-seeking social consciousness. As a result, the inclinations "to look after one's own interest" and to "look after other people's interests" were fused together. Later on the system of private ownership gradually emerged as a result of a surplus of products. This gave rise to social groups with conflicting interests. This kind of historic change in social economic relations brought far-reaching changes in social consciousness and ethical concepts. These constituted the foundation of the concept of private ownership and "exclusionist" and "self-oriented" mentality. The saying "Everyone for himself and the devil take the hindmost" enjoyed perennial and widespread popularity in feudal society. This testifies to the general concept of private ownership among the people. However, proceeding from their class interest, the feudal rulers were trying their best to deny the existence of the mentality of "looking after one's own interest." They propagated the hypocritical doctrine of "upholding nature's law and eliminating man's desire." (A quotation from Zhu Xi [2612 3588]) With the emergence and development of capitalist relations of production, the capitalist philosophers cast aside the soft-colored veil covering the traditional exploitative relations. On the basis of their own class' position on human nature, they argued that human beings are selfish and self-seeking animals. It was argued that man by nature was selfish, self-seeking and exclusionist. From then on, a self-seeking mentality became more clearcut. The capitalist theory on human nature stressing "everyone for himself and God for us all" became very popular for a time. It is not difficult to see that the self-seeking mentality does not represent "human nature." Rather, it is the nature of the exploiting class, and it emerged only after the appearance of class society. Therefore, with the abolition of the exploiting class, such a mentality inevitably will be replaced by the newly emerged proletarian mentality. By the fourth decade of the 19th century, scientific communism emerged as time required. It denoted the historical trend toward the "restoration" of human nature, thus sounding the death toll of the capitalist theory of human nature.

The socialist system is the historical negation of private ownership. Meanwhile, it represents the abandonment of the human nature of all exploiting classes in the past. A brandnew socialist economic relationship inevitably will give rise to a brandnew mentality which is in conformity with nature's laws. This will put an end to the historical conflict between the inclination to "look after one's own interest" and the inclination to "look after other people's interests." Marx and Engels pointed out that "the communist neither uses egoism to oppose self-sacrifice nor uses self-sacrifice to oppose egoism. Theoretically, he neither follows an emotional approach nor does he adopt an exaggerated philosophical approach in understanding such a pair of opposites. Instead, he aims at discovering the material bases of this pair of opposites. This pair of opposites will naturally disappear with the disappearance of their material bases." ("Collected Works of Marx and Engels," Vol 3, p 275) The socialist public ownership of the means of production has bound the interests of the people together. The interest of the individual is closely tied up with that of the collective, the

state and society. The disappearance of the exploiting class has further eliminated the conflicts of fundamental interests among people. This has helped bring one's own interest, other people's interests, the collective interests and society's interests into a historic unity and unanimity. Such a change in social relations has laid the foundation for enhancing communist ethics, which puts the interests of the collective and the society above everything else. Such communist ethics will thoroughly change the "human nature" of the old society. Heroes of our time, such as Lei Feng [7191 7364], Jiao Yulu [3502 5940 4389] and Ou Yanghai [2962 7122 3189], are products of such a material base. Although there are only a very few in society, they are essentially representative of our great age. They manifest the inevitable trend toward the "restoration" of human nature. Of course, we dare not say that these heroes do not have "self" in their thinking. We do not intend to say that their thinking is absolutely pure. Being part of society, they inevitably came into contact with other people, the collective and society. As a result, they would have thought about "themselves" and how to handle their relations with other people, the collective and society. Proletarian heroes are not absolutely "selfless" and "self-giving" "saints." They are simply men who are wholeheartedly devoted to their public duties and who place the public interest above their own. However, it must be pointed out: First, the "self" in their thinking has undergone a qualitative change and has become a "self" which is fully merged with the interests of the people. This is qualitatively different from the selfishness of the capitalists' "self." Second, the "self" in their thinking does not play a dominant and determining role in their actions. On the contrary, it is in a secondary and subordinate position. Therefore, they "look after their own interest" only on condition that it will safeguard the public interest and the interests of other people. Third, they consciously carried out ideological struggles aimed at overcoming selfishness and fostering a public spiritedness. Their "self" is constantly overshadowed by public interest. They look after their own interest only as long as it is within the bounds of communist, and especially socialist, morality. At least they have a clearcut stand on setting the priority of their interest, thus consciously placing the public interest before their own and putting other people before themselves. In this way, the manner in which a communist "looks after his own interest" is in principle different from that of a capitalist. Therefore, it is justifiable to say that our heroes are people who consciously combine the inclination to "look after one's own interest" and the inclination to "look after other people's interests" into an organic entity, thus uniting the two dialectically. This has helped create the most perfect communist human nature. In so saying we by no means belittle the ideological level of the heroes. On the contrary, we are trying to expose realistically the internal contradictions within them. This aims at revealing an ideal and realistic path for the younger generation and the masses to learn from the heroes in order to remold their thinking and establish a revolutionary outlook on life.

#### "Attach Much Importance to Oneself" and "Taking Oneself Lightly"

In our discussion on the outlook on life, two opposing trends on the value of one's existence are discernable. One is to raise the value of "oneself" to an unrealistic extent and to place undue emphasis on "one's own interest." Another is to deny one's own value fundamentally and to deny that there is any value in life. This is undue denial of one's own value.

Is there any value in one's existence? Yes, of course. However, such value can only be objective and concrete rather than subjective and abstract. For the existence and development of their own class, the capitalists have put forward the slogan that "everyone is born equal." This has placed one's own value in an inalienable position. It seems as though the whole society can progress on its own if everyone tries his best to raise the value of his own existence. Does one's value really have such extraordinary power? Certainly not. Commonsense tells us that society is composed of many individuals. However, it is not a simple aggregate of individuals. Rather, it is an organic entity which is highly intricate and diverse and has many mutual connections and constraints. In fact, in a class society or a society which still has classes, due to the differences in class status, social status and world view, it is impossible for people to work out a common goal for the promotion of one's own value. Some of these efforts are identical, some have certain points in common while some are mutually exclusive. Is it not true that the raising of the "self" worth of the proletariat and the laborer means the lowering of the "self" worth of the capitalists and exploiters? Even in the present conditions of our society, people are working at cross-purposes to improve their "self" worth. In fact, social progress does not depend on the improvement of the individuals' "self" worth. On the contrary, improvement of individual "self" worth should be based on the continuous progress of society. In a society founded on private ownership of the means of production, it is generally impossible for the laboring people to improve their own "self" worth. In our present system of public ownership of the means of production, the improvement of one's "self" worth still depends very much on one's subjective effort. However, in the final analysis it is determined by social development, historical conditions and objective needs. At most, one is just a "member" or a "cell" of the whole society. If divorced from the "organism" of society, other "members" and "cells," one simply cannot exist and will become worthless. From the standpoint of historical materialism, it is the people and historical laws, rather than the individual, that determines the trend of history. Lin Biao and the "gang of four" tried in vain to raise their "self" worth to an inalienable position. However, the dialectics of history caused them to move in the opposite direction.

It is of course wrong to place excessive emphasis on one's self-importance. It is equally wrong to belittle oneself out of hand. At present some youths cannot put up with certain social evils, while at the same time they are unable to rectify them. They cannot face up to the hardships and frustrations of life. The "high hopes" they have been looking forward to have been dashed. As a result, they have lost heart in life and in the future. They feel that life is worthless and meaningless. Consequently, they have turned from the extreme of attaching too much importance to themselves to the extreme of blindly belittling themselves, to the extent that some of them have committed suicide. This illustrates that, as far as the problem of "self" is concerned, the dialectical unity between "over-estimating oneself" and "belittling oneself" should be correctly understood.

It must be said that I, as an objectively existing object, am myself a contradiction. I am at the same time "unimportant" and "important." From the perspective of the greatness of the universe, the vastness of the world, the inevitability of history and the laws of society, any individual is but one drop of water in an ocean. All are unimportant and have only subsidiary significance. One would certainly run into trouble if one simply did everything according to one's

subjective will. However, "I" am after all a member of society and part of the force that changes the world. The light and warmth that an individual can contribute is very limited. However, the limitless amount of light and warmth within society can be converged into an endless conflagration that can consume the evils of society and create a bright future. Was not the darkness of old China consumed by such a conflagration? From this we can see that "I" am also "important." One should not take "oneself" too lightly. There is a famous saying by the Tang poet Li Bai that "everyone who is born has his uses." This saying is very meaningful when examined closely. Everyone in the world will somehow make his unique contribution. Therefore, every comrade should build up his own ambition, hold fast to the correct political orientation and improve his professional skills. Everyone should prove his own "self" worth in positive social service and in contributing to the four modernizations.

It cannot be denied that there is still a darker side of our society. Many with real talent are being suppressed or stifled. There are still many areas which leave much to be desired. Consequently, there are many young, ambitious and capable individuals temporarily under adverse conditions. However, it must be appreciated that ours is, after all, a socialist country. The party and the government attach much importance to talent and to the value of man. In fact, we are taking every possible measure to rectify social evils. It is certain that, with the improvement of various systems and social development, the objective value of various kinds of talent will be realistically recognized and rationally utilized. Furthermore, it might not be a bad thing for an ambitious young man to face some difficulties and adversities. Many successful young men have worked their way through difficulties and frustrations. Everyone is energetic and talented during his youth. As long as one aims in the right direction and is willing to work hard, it is absolutely possible to perfect a useful talent for the construction of the four modernizations and to make one's life really worth living. Therefore, there are no grounds for a negative and pessimistic view of oneself. Of course, I do not mean that everything is sunny for our youth and that there are no dark clouds. In fact, many of the social evils are rational and legal. What I mean is that social evils do exist. Simply blaming other people will not help. Neither is committing suicide to show one's objection an effective means of struggle. The only correct way is to have a thorough understanding of the historical roots and objective conditions behind these social evils. Only thus can we grasp their law of development and struggle against them by closely following the party's leadership and relying on the collective wisdom and strength of the people and on the superiority and power of the socialist system and proletarian dictatorship. In this way we can gradually transform the world and society. This is the proper attitude a young man should adopt.

#### The "Old Self" and the "New Self"

Marx pointed out that "history is nothing but the continuous transformation of human nature." ("Collected Works of Marx and Engels," Vol 4, p 174) Today the continuous transformation of human nature is just a process by which man transforms his world view and his "old self" is superseded by his "new self."

The socialist system of our country already has a history of more than 20 years. Generally speaking, the mentality of the people has undergone and is still

undergoing many far-reaching changes. The ideological outlook of the whole society has been greatly changed. However, due to the constraints of the economic conditions, the powerful inertia of the old mentality and the 10 years or more of disruption and destruction wrought by Lin Biao and the "gang of four," there are still many social evils, such as selfishness, profiting from other people's efforts, seeking private gain at the expense of public interest, harming others to benefit oneself, and so forth. The existence of such social evils is not at all surprising. However, many comrades, particularly young people, fail to understand the objective conditions and historical factors behind these social evils. They try to measure a developing socialist country with an idealized socialist standard. As a result, they are often overwhelmed by what meets the eye and fail to see the big picture. They can only see the darker side of society, even to the point of unconsciously accepting the reactionary teaching of the capitalists that since "man is selfish" "it is only reasonable to be selfish."

Is it true that "what is real is rational and what is rational is real"? In fact, Hegel thought that not everything that exists is unconditionally rational. Only that which is inevitably real is rational. As Engels put it, "In this way, by virtue of Hegel's own dialectics, his proposition is self-contradictory: all that which is real in the realm of human history will become irrational with the lapse of time.... Whatever is rational in man's mind is bound to become reality regardless of how contradictory it might appear." ("Selected Works of Marx and Engels," Vol 4, p 212) Although capitalist egoism and various kinds of social evils still exist today, they are withering realities that have lost their inevitability. Although communist ethics is still in its "infancy," it is, after all, a rational reality that possesses an objective inevitability. Nothing can hold back the general trend of its development and expansion. It is based on knowledge of this objective inevitability that we communists continuously transform our "old selves" by building up the "new self," so that a highly developed material culture can be matched by an equally high level of socialist spiritual culture.

We fully understand that, although the general process of the development of the spiritual and ethical aspects is basically determined by the objective process of social development, the two are, after all, qualitatively different processes. Even after the old economic base has been replaced by the new economic relations, the old mentality, which is a reflection of the old base, will not readily disappear to give way to the new mentality. Therefore, no matter whether it is in society or in people's minds, there is bound to be a conflict between old and new ideas. This internal conflict between the old and new mentality within people's minds is also expressed in the continuous transformation and abandonment of the "old self" and the gradual emergence, development and ascertaining of the "new self." When the old mentality and ideology is removed from its original position as the principal aspect of a contradiction and relegated to a secondary and subordinate position, the new mentality and ideology will be transformed into a dominant and determinant position and become the principal aspect of the contradiction. Then the "old self" will lose its original quality and be transformed into a "new self."



In that case, how should the transformation from "old self" to "new self" be effected? According to dialectical materialism, external cause is the condition of change, whereas internal cause is the basis of such changes. That is to say, everyone's ideological renewal and transformation of his world view is dependent on the continuous resolution of the internal ideological conflict between the new and the old. This demands that every communist and revolutionary youth have a thorough understanding of the decadence and irrationality of the old mentality and the inevitability and feasibility of the new mentality's replacing the old. Everyone should follow the objective law of ideological development and transformation and, in order to contribute to the great four modernizations, should positively wage an ideological struggle aimed at placing the public interest before one's own. Furthermore, everyone should consciously combat the old mentality with the aid of the new and replace feudalist and capitalist mentalities with socialist and communist ones. In this way one can gradually but steadily carry out self-remolding and in the end achieve a fundamental transformation of one's world view. Of course, it is not enough to urge the majority to undertake such a transformation on an individual basis. Comrade Mao Zedong rightly pointed out that "here the conditions are important. The opposing sides will not undergo transformation without the necessary conditions." ("On the Correct Handling of Contradictions Among the People") It must be pointed out that our socialist economic relations are the fundamental condition for such a transformation. However, this is insufficient. We still need highly developed productive forces, material abundance, the final abolition of the "three great differences," and so forth. Therefore, the acceleration of socialist modernization and the creation of increased social wealth have an ultimate and determining significance in the transformation of human nature according to the communist spirit and the building up of the "new self." In singling out the ultimate determining role of material conditions, Marx did not deny the influence that the superstructure and ideology have on the people. It has been proved by practice that, in order to transform the ideological outlook of a whole society and effect the people's transformation from the "old self" to the "new self," the leadership of the party, the dictatorship of the proletariat, the socialist road and Marxism-Leninism-Mao Zedong Thought should be upheld. Furthermore, on the basis of these political conditions, persistent and effective ideological and political work should be carried out among party members and the masses. Through this work we can further equip the people with Marxist theory, purge the influence of feudalist ideology and check the encroachment of capitalist ideology, thus helping people to build up a revolutionary world outlook.

The present discussion on the outlook on life has attracted thousands of youths and has moved every heart that yearns for the truth. Youths are earnestly pondering this issue and are involved in enthusiastic debates. Our generation of youths is boldly seeking the truth and is full of hope. We should have the confidence that with the warm affection of the party and the guidance of Marxism-Leninism-Mao Zedong Thought we can have a correct understanding of society and be able to look at "self" dialectically. In this way we can plant the seedlings of our ideal deeply into the soil of reality and march toward our bright future full of confidence.

CSO: 4004

SCIENTIFIC CAPACITY IS A SPECIAL PRODUCTIVE FORCE—SECOND DISCOURSE ON THE  
SCIENTIFIC CAPACITY OF SOCIETY

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 33-38

[Article by Zhao Hongzhou [6392 4767 1558]]

[Text] The scientific capacity of a society is an internal force accelerating the development of science and technology in a country. It is also a measure of the level of science and technology of a nation. The basic elements of scientific capacity include: The collective research capacity of scientists; the quality of techniques and equipment for scientific experiment; the efficiency of the "research-information" system; the highest standard of the scientific labor structure; and the level of science education of the whole nation. (See "A Tentative Discourse on the Scientific Capacity of Society," RED FLAG, No 4, 1979)

Scientific capacity is a productive force in scientific labor. Scientific capacity is unique compared with other productive forces in that it possesses various peculiarities which are determined by the particular contradictions it contains within itself. This article will start from the concrete process of scientific labor, then proceed to the internal movement of the contradictions within scientific capacity to explain the principle that scientific capacity is a special productive force, in order to establish a correct theoretical basis for the management of science in our country.

I. The Diversity of Means for Scientific Labor

Marx said that scientific labor is part of the universal labor of society. "This labor depends partly on the cooperation of the living and partly on the utilization of the labors of those who have gone before." ("Collected Works of Marx and Engels," Vol 25, p 120) The fruit of the "labor of those who have gone before" refers precisely to knowledge provided by books and written records and information from scientific research (hereafter called "books and information" for short). Means of labor utilized in scientific labor include not only material means but also intellectual means, that is, books and information. Actually, once concrete scientific labor commences, the contradiction involving books and information is immediately encountered. This contradiction is present throughout the process of investigation and research.

Books are the synthesis and repository of human scientific knowledge. If a scientist wants to inherit the fruits of labor of his forefathers, he has to look for

professional knowledge (including statistics and diagrams) relevant to his subject of study. This activity of searching for professional knowledge on a specific subject is information work, and professional knowledge gathered from this process is information and data. Thus, at the first stage of scientific labor--the stage of investigation and research--people encounter the contradiction involving the comprehensiveness of books and the specialism of information.

It is required of books that the knowledge they store must be reliable and fixed in form. Only thus will information be worth preserving. On the contrary, information deals mainly with knowledge that contemporary people are studying. In other words, information is fluid knowledge. This knowledge is neither conclusive nor definitive, yet it is very valuable. It can be used for reference and to determine the orientation of research. More advanced things can be produced through research on available information. Therefore, the contradiction between books and information finds expression in the gap between the permanence of books and the fluidity of information. In a sense, the so-called process of investigation and research is precisely the revitalization or excitation of fixed knowledge contained in books.

Books are the epitome of the history of science. They accumulate the scientific knowledge of different historical periods and serve the scientists and masses of different periods. Thus, books are of historical value. On the other hand, information possesses the quality of actuality. This forms a sharp contrast with the historical character of books. In a sense, what is usually termed investigation and research is actually the process of transforming what is historical into something contemporary.

Socialized scientific labor usually involves a great amount of competition. The direction of research and the subject chosen by a researcher, the material and data he collects and the ideas and arguments he arrives at usually involve a certain amount of secrecy before the value of the research project is realized because the researcher has expended a certain amount of labor on it. In particular, the fields of technological science and applied science are very secretive. Books are not secretive. Therefore, the openness of books and secretiveness of information also demonstrate the difference between the two.

Although books and information are different in numerous aspects, their very difference contains elements of identity. There is identity between books and information, and under certain conditions they can transform into each other. Ordinary books contain general knowledge. Anyone can use them. However, once books are used and data and statistics related to a specific topic have been found or useful ideas have been extrapolated, these "books" come to have some qualities of information. Thus, "books" are transformed into "information." On the other hand, if the professional knowledge provided by information has been integrated and fixed, has become systematic and has realized its value, "information" has to be "declassified" and used by all mankind. Thus, "information" also transforms into "books." The fact that books and information transform into each other under certain conditions indicates that they are aspects of the same matter. They are the two forms of existence of the means of scientific labor. Their relationship is one of unity of opposites. The movement of the contradiction between books and information entails the diversity and complexity of the means of scientific labor.

The task of scientific research management at the stage of investigation and research is to penetrate the complexity of the means of scientific labor, grasp the law of motion of books and information and thus take necessary measures to insure that scientists can easily transform books, which are comprehensive, into information, which is specific, turn fixed knowledge into revitalized knowledge and change historical things into contemporary ones. In short, the task is to insure that scientists can easily inherit the fruits of labor of our forefathers and turn the products of past scientific labor into means of present scientific labor.

One problem in the management of scientific research in our country today is that work on books is divorced from information work, and work on books and information is divorced from work on scientific research. Therefore, stressing the importance of work on books and information and building a unified system of books and information and a modernized "book-information" network to make the collection and organization of books and written records ready for search and inquiry and to make the management of information better suited to the needs of scientists is an important matter in the management of scientific research at present.

## II. High Degree of Creativity of Scientific Workers

The second characteristic feature of scientific capacity is demonstrated in the high degree of creativity of scientific workers. Material production requires only that the workers master the tools and machines. This is not so in scientific labor. It requires not only that the scientist master the operation of the complex techniques and equipment used in experiments, but also that he master the complex theoretical and mathematical tools and cleverly make use of his creative thinking to manipulate these two classes of tools to engage in creative scientific research.

To conduct scientific research, there must first be a plan, and the equipment required in the experiment must be organized and built. Some plans require too high a level of technology. Thus, they cannot be performed for the time being. Some plans, although they do not have a high technical requirement, involve strict theoretical and mathematical requirements. The goal of scientific research cannot be met due to the lack of clearcut theoretical thinking. Therefore, scientific research requires both the guidance of theory and ideas and material guarantees. This is the dialectical unity of theoretical means and experimental means.

Through experiments, people accumulate a great amount of experimental data and statistics, and by analysis and deduction from these experiments they come up with empirical formulas. In order to explain natural phenomena, people build models, formulate hypotheses, engage in deductive reasoning and intricate calculations and then describe the law of nature in the form of theorems and laws and build up scientific theories. The validity of a theory is tested by experiments. An experiment to test the validity of a theory is called a "conclusive experiment." A conclusive experiment is a high stage of experiment. It has not only a very specific goal but also a high degree of predictability. It determines the validity of theories and opens up new vistas. A good example of this is the Michelson-Morley experiment, which repudiated the "theory of ether" and laid the groundwork for the birth of the theory of relativity.

Thus, we can see that the process of scientific research is also the process of unity of opposites of two types of means of scientific labor and a process involving the movement of the contradiction between theoretical means and experimental means. The experimental means involve theoretical means, while the theoretical means also involve experimental means. Experiment is inseparable from the guidance of theory, while theory is inseparable from the test of experiment. The two complement each other. Each causes the other while also being an offshoot of the other. They promote each other and facilitate each other's progress.

Precisely because the dialectical unity of theory and experiment is a necessary condition for modern scientific labor, scientific research displays an unbelievably complex process, much more complex than any other form of productive labor, and it requires a great amount of creativity on the part of scientific workers. Moreover, scientific research has to blaze new trails in territories never traversed by our forefathers and to dig for treasures in mines that have never been exploited before. Therefore, this kind of labor also involves a great measure of exploration and uncertainty.

With the development of science and technology, the scientific information people obtain from scientific labor will become much greater in quantity, and experimental and technical equipment will become more and more sophisticated. Therefore, the probability of success in scientific labor becomes greater. However, with the development of human knowledge, the degree of difficulty of scientific discovery becomes higher, and the subject of scientific labor will become more and more complex. Thus, a high degree of creativity is absolutely necessary for scientific workers at all times.

The high degree of creativity of scientific workers makes the management of scientific research very different from production management. Creative intellectual activity is a type of arduous labor under special conditions. It requires a relatively quiet space and a continuous, adequate length of time. It is very common for scientific workers to work continuously for more than 10 hours or scores of hours for a concept, an idea, a formula or a design. In order to avoid interruption in their thinking, scientific workers sometimes forget to sleep and eat and work day and night. "They do not regret that they are losing weight and becoming thin and pallid from their hard work." Because of the uniqueness of their profession, individual differences in physical condition and the intellectual sensitivity of each individual, every scientist has his own work schedule. Some are "used to spending long, blissful nights" and are most effective at night; some are "used to looking at the morning dew and meditating," and their minds work fastest in the morning. Some of them jump with joy when they solve a formula and are "at their best in a bustle," while others cannot accomplish anything unless they work in a totally isolated environment. All these are peculiarities which are not present in productive labor.

Of course, experiment work is usually collective labor. However, this collective labor is also different from collective labor in ordinary productive labor. Experiment work usually follows the progress of the experiment. It is flexible, depending on the pace of the research. Sometimes the work schedule is very tight, sometimes very lax. In order to trace a phenomenon or wait for the right moment,

workers performing an experiment usually eat and sleep beside the apparatus. They work nonstop day and night and do not rest on holidays, fighting a battle of endurance for days or months on end. However, once work is done, they have a longer period of rest and recuperation. This style of work is also unknown to productive labor. Therefore, the "8-hour day" is not really practical in scientific labor.

### III. The Flexibility of the Structure of Scientific Labor

Scientific labor, like productive labor, must be carried out in good coordination, but the coordination is more complex and changeable. This entails greater flexibility in the labor structure. This is a third point of difference between scientific capacity and other productive forces. This peculiar characteristic is evidently caused by the movement of the contradiction between individual research capability and collective research capability, and this is prominently manifested at the exchange stage in scientific labor.

After the creation stage of scientific labor, the exchange stage begins. In this stage, people usually encounter the contradiction between individual research capability and collective research capability.

The question of whether the fruits of individual labor in scientific research will be recognized by society comes first. In this respect, various forms of exchange must take place; for example: publishing in journals, publishing scientific papers, holding academic symposiums, and others. If individual research capability passes the test of collective research capability (such as the evaluation of colleagues) and of social practice, then individual research capability has opened up new vistas. This will attract many scientists to engage in work in this field, pool their efforts and overcome obstacles. Thus, individual research capability is transformed into collective research capability. However, if the fruits of individual research cannot pass the test of society, individual research capability not only cannot become collective research capability but also cannot even receive the recognition of society.

The question of the interrelation between collective and individual research capability comes next. Collective research capability is formed by cooperative individual research capability. When Marx said that "cooperative labor is the direct cooperation of individuals" ("Collected Works of Marx and Engels," Vol 25, p 120), he was referring to this aspect. Cooperation is not the simple addition of individual capabilities but the integration and amplification of individual capabilities. Cooperation is not "one plus one equals two," but "one plus one equals more than two." However, cooperation is predicated on certain conditions, that is, participants in the cooperative effort must have some capacity for independent research and must be good at bringing this capacity into full play. It is only by bringing individual research capability into full play that collective research capability can come into existence. It is only through efficient cooperation among individual researchers or through a good structure for scientific cooperation that individual research capability can become collective research capability.

Once individual research capability finds its "opposite"—collective research capability—in the labor structure, it will be invigorated and become very active, like a fish in water. The cooperation among members of the scientific community contributes to the growth of individual wisdom, while the competition among them stimulates individual enthusiasm. Even when individual research capability goes up a blind alley, collective research capability will be able to readjust and control its orientation and help it to find the right direction immediately and to continue cooperation with others under a unified plan. Throughout the 20th century, collective research capability has become more and more important in the field of scientific research. Among Nobel Prize winners, the percentage of those who conducted cooperative research has gradually gone up. From 1901 to 1925 it was 41 percent. From 1926 to 1950 it was 65 percent, while from 1950 to 1975 it was 79 percent. Thus, we can see that collective and individual research capability complement each other. The idea that stressing collective research capability will adversely affect the performance of individual research capability is mistaken.

The relationship between individual and collective research capability is dialectical. The key to the correct handling of the relationship between the two lies in introducing proper reforms into the structure of scientific labor to allow for greater flexibility. Historically, the structure of scientific labor has undergone several significant changes, from the structure of comprehensive academic societies to that of professional research institutes, and from the structure of professional research institutes to research centers on a national scale. Each change has been effected to readjust the relationship between individual and collective research capability and to mobilize the enthusiasm of scientists to the fullest, while the result of each change has been that the structure of scientific labor has become more flexible.

The flexibility of the modern structure of scientific labor is prominently manifested in the mobility of scientists. This mobility takes the forms of exchange of scientists, exchange of graduate students, students studying under different advisers and teachers accepting students from different schools. The mobility caused by the shifting interests of scientists is most interesting. Such a mobility not only brings individual research capability into full play but also continuously raises the level of collective research capability. Famous physicist Xue Ding made major contributions in quantum mechanics before shifting to the field of molecular biology, thereby laying down the theoretical foundation of quantum biology. This kind of shift of interest is very common in the history of science. Particularly since World War II there has been a rise in the study of borderline subjects. Scientists easily shift their interest to the next related subject. Interest is a very important psychological factor in individual research capability. Any capable management expert knows that the timely transfer of scientists to the field in which they are most interested prevents the waste of creative power. Therefore, scientific mobility is an important measure of whether the structure of scientific labor is good or bad.

The mobility of the structure of scientific labor is also manifested in frequent scientific exchanges. Exchanges take the forms of "luncheons," "teas," "science salons," "academic workshops," short-term "seminars," long-term "professional collaboration," regional academic discussions, annual international meetings on

science, and various others. Frequent exchanges enable scientists to keep pace with intellectual developments in the world and to establish connections internationally. Friendly discussions pool scattered individual research capability into a strong international force in science. This creates favorable conditions for the healthy growth of science.

The flexibility of the structure of scientific labor is further manifested in the existence of different schools of thought. Schools of thought are formed naturally in the process of scholarly exchanges, and thus they lead to higher mobility and greater efficiency in scientific research. For instance, the Copenhagen school led by Bohr has members from the five continents of the world and has made achievements in all countries. Their scholarly activities are varied, and the fruits of their theoretical work have influenced all fields. It has become one of the most prestigious schools in the history of modern science. Another example is the Bourbaki school in French mathematics. All of its members are in their prime, are highly talented and have high aspirations. The fact that this school has a rule that members must retire at the age of 50 enables its collective research capability to retain its youth and vigor.

In short, the flexibility of the structure of scientific labor is different from that of production. The greatest fault of our present structure of scientific labor is its rigidity. Even now we do not have channels for mobility of talented people in our country and a formal system of academic exchanges. An immediate change in this situation and the gradual establishment of a system of scientific exchanges (including personnel exchanges, academic exchanges and exchanges of books and information) is therefore an urgent task in the management of science.

#### IV. The Latent Quality of Science Education

Scientific capacity has its real and direct aspect (such as the scientific community, experimental and technical equipment and books and information) and its indirect and potential aspect (such as scientific education). Science education is work dealing with the cultivation of talent. Today's science education is tomorrow's scientific research. Therefore, in a sense we can consider science education to be latent, future scientific capacity. The reason science education can become future scientific capacity lies in the movement of the contradiction involving science education and scientific research.

We all know that once research work on a certain subject is completed the concrete process of scientific research comes to an end. However, the overall process of human scientific labor does not end there. Thus, between one stage of scientific research and the next there must be a stage called science education. Science education is a link between two concrete processes of scientific research. It is both the summation of the preceding stage and the beginning of the succeeding stage. The fruits of scientific research must be included in teaching materials and passed on to future generations, while the next stage begins with science education (basic education or "reeducation") to insure that a higher research capability is put into new scientific research. Therefore, human scientific labor involves the two inseparable phases of scientific research and science education.



According to the dialectical viewpoint, science education and scientific research are aspects in a unity of opposites. Without scientific research there would be no science education, while without science education there could be no expansion of the scientific community and development of the level of scientific research.

Naturally, science education and scientific research are two different types of work. Scientific research is the creation of scientific knowledge, while science education is the transmission of scientific knowledge. From the viewpoint of cultivating talent, science education is the foundation, while scientific research is the result; from the viewpoint of creation of knowledge, scientific research is the source, while science education is the stream; scientific research raises the level of science, while science education popularizes science. Both science education and scientific research show exclusivity in terms of characteristic features, functions, process, subject, capital and manpower. Thus, they are opposites.

However, there is also unity in their opposition. They are both stages in the process of scientific labor. These two stages are intertwined and interconnected, and they coexist and complement each other. Without either one, the process of scientific labor is halted and scientific capacity undermined. The central task of scientific research is creation, and creative reasoning is usually impossible to communicate through the use of language. Research capability can only be built up by actual experience, that is, by learning gradually in the process of scientific experiment and while being an assistant to the teacher. Therefore, institutes of higher learning must carry out scientific research in order to groom graduate students and supply fresh blood to the scientific community.

To do this we must establish a unified "science education" system. We must advocate the integration of scientific research and science education and institute the practice of periodic teaching assignments for researchers in institutes of higher learning and research assignments for professors in research institutes.

From the above discussion it is not difficult to see that the basic characteristic feature of scientific capacity is its uniqueness which is due to the existence of four particular contradictions: the diversity of means of scientific labor, the creativity of scientific workers, the flexibility of the structure of scientific labor and the latent quality of science education. Due to the intensification of these four contradictions, any complete process of scientific labor is divided into four stages: investigation and research--creation--exchange--reeducation. Furthermore, the movement of these four contradictions combines the five basic elements of scientific capacity into an organic whole, forming the social structure of scientific labor. Concretely speaking, the unity of opposites between two types of intellectual means of scientific labor connects books with information to form the "book-information" system; the unity of opposites between intellectual and material means of scientific labor (or the unity of opposites between theoretical and experimental means) connects the system of books and information with the system of experimental techniques, forming the concrete system of scientific research; the unity of opposites between individual and collective research capability connects the labor of individual scientists with social scientific labor, forming the social system of scientific research; the unity of opposites between science education and scientific research connects the

social system of scientific research with the social system of science education, forming the "science education" system throughout the society. (See Figure 1)

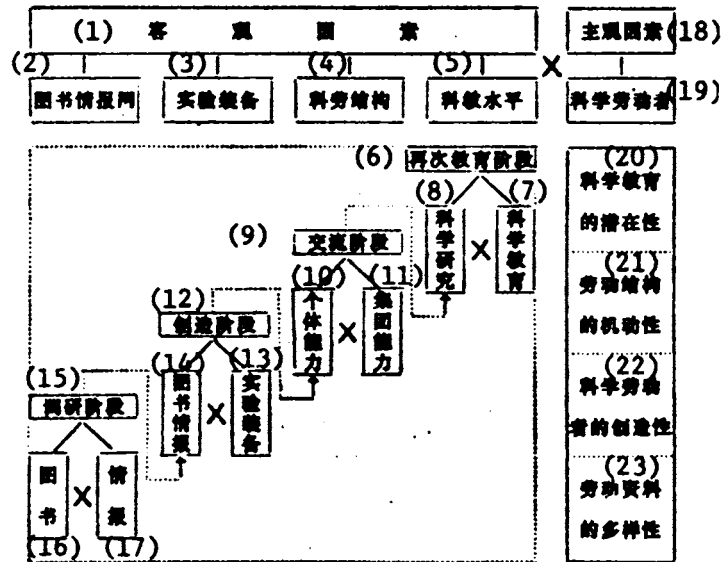


Figure 1. The Basic Contents, Characteristics and Internal Movement of Contradictions of Social Scientific Capacity

Key:

- |                                  |  |
|----------------------------------|--|
| 1. Objective elements            | 14. Books and information                            |
| 2. Books and information sources | 15. Investigation and research stage                 |
| 3. Experiment equipment          | 16. Books  |
| 4. Structure of scientific labor | 17. Information                                      |
| 5. Science education standards   | 18. Subjective elements                              |
| 6. Reeducation stage             | 19. Scientific workers                               |
| 7. Science education             | 20. Latent quality of science education              |
| 8. Scientific research           | 21. Flexibility of the structure of scientific labor |
| 9. Exchange stage                | 22. Creativity of scientific workers                 |
| 10. Individual capacity          | 23. Diversity of means of scientific labor           |
| 11. Collective capacity          |  |
| 12. Creation stage               |  |
| 13. Experiment equipment         |  |

Lastly, the "science education" system in the whole society as the sum total of the objective elements of scientific capacity forms a unity of opposites with the subjective elements (the scientific community).

In this manner, the five major elements of scientific capacity can be summed up in two elements: man and matter. The four contradictions existing in scientific capacity can also be summed up as the contradiction between man and nature. Thus, the social nature of scientific capacity becomes very obvious. Scientific capacity, like production capacity, reflects the relationship between man and nature. Therefore, scientific capacity also belongs to the domain of productive

forces. The only difference is that other productive forces make use of relatively simple tools (or machines) to reflect this relationship, while scientific capacity reflects this relationship in a refracted form through complicated techniques. This is also the reason why scientific capacity has four unique qualities. Scientific capacity as a special form of productive capacity is a product of history at specific stages of social developments. Productive capacity is the basis of scientific capacity, while scientific capacity is the cream of productive capacity. Understanding the uniqueness of scientific capacity is a very important question we should pay attention to in the management of scientific research.

CSO: 4004

DO NOT ARBITRARILY INTERFERE WITH LITERATURE AND ART

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 39-41

[Article by Sha Tong [3097 4547]]

[Text] Since the smashing of the "gang of four" our party has repeatedly stressed its resolution to unswervingly implement the "double hundred" principle. It has also demanded that party leaders at all levels implement democracy in the area of art, adhere to the "principle of the three notes" and earnestly give the people freedom to create and criticize art and literary works as well as the freedom to compete in the creation and to debate the controversies surrounding literary and art works. The party has done this in order to fully mobilize the enthusiasm and creativity of literary and art workers. It has done this on the basis of the experiences summed up during the past 30 years since the founding of the PRC, and particularly on the basis of the lessons drawn during the 10 years of turmoil when literature and art were severely trampled upon. This has been in line with the law of development of literature and art. Thus, it has won the people's full support and has strengthened and improved party leadership over literature and art work. Since the "double hundred" principle has been earnestly implemented, an unprecedentedly flourishing situation has emerged in literary and art circles.

In a speech at the opening ceremony of the Fourth National Congress of Writers and Artists, Comrade Deng Xiaoping reiterated an important principle of party leadership over literary and art work: "Do not arbitrarily interfere." However, due to the long-term disruption of the ultraleftist line, party leaders in some areas and departments are still arbitrarily interfering with literary and art work by administrative means. Good literary and art works, well received by the people, have been arbitrarily assessed as bad works; very popular films have been banned; art exhibitions praised by the masses have been canceled.... The publication and distribution of some periodicals and works which have shortcomings or mistakes are being improperly forbidden, even in the form of movements. In these areas the relationship between the party leaders and literary and art workers is neither harmonious nor normal. In one or two places some departments not responsible for literary and art work have also arbitrarily interfered with the work. For example, a leader of the housing administration bureau has unreasonably forbidden the exhibition of a cartoon; a secretary of a production brigade party branch has wantonly deprived a writer of his grain ration. Such arbitrary interference is detrimental to party leadership over literary and art work and to socialist literature and art.

Such things have occurred primarily because some of our comrades do not have a good understanding of the law and characteristics of literary and art creation. Literary and art creation is the means of allowing total individual creativity. It demands that literary and art workers stand on the side of the people and the proletariat, observe the conflicts in life and their development, study and explore life, depict the rich and colorful life with their own particular styles and ways of expression, enthusiastically support progressive new things and boldly expose the old things that block the way. This will enable our cause to advance even more rapidly. Life itself is complicated, particularly in this period which is full of new changes and conflicts. Life is not easy to perceive, understand and express. Even writers and artists with sharp minds cannot always turn their consciousness immediately into successful artistic works. Therefore, while many works which profoundly reflect the characteristics of our times and which are well received by the masses have emerged, it is only natural that some immature works as well as one or two works with wrong tendencies simultaneously emerge. Party leaders should respect the law of literary and art creation and enthusiastically encourage writers and artists to explore. Even if they make mistakes, party leaders should actively and patiently provide them with guidance and help them acquire a better understanding to advance better and faster instead of dealing with them by simple and crude methods.

In this regard, the best method is to unswervingly implement the "double hundred" principle, carry forward democracy in the area of art and allow people to distinguish between right and wrong, develop correct things and overcome wrong ones through free discussion and the test of practice. We believe in the power of Marxism, socialism and the masses. The "double hundred" principle was proposed on the basis of this faith. Therefore, to allow erroneous things to emerge and to allow people to come in contact with them is nothing to be afraid of. Comrade Mao Zedong explained this very clearly when he put forth this "double hundred" principle. However, it has not been correctly interpreted and implemented. Some comrades have always regarded the emergence of questionable and erroneous works as a great disaster. They have also forbidden the literary and art departments under their leadership to create any works that may be controversial or erroneous. They have been used to knocking down at one stroke by administrative methods those things they regard as erroneous. They have prohibited the publication of works that may arouse doubts or create controversies and lead to discussions of differing opinions. This practice cannot resolve the conflicts, but will worsen them and dampen the enthusiasm of literary and art workers. We have had enough of such lessons.

Of course, a leader can express his views on a specific work. However, just as Comrade Liu Shaoqi said: "The remarks made by these leaders should be treated in the same way as the opinions of readers and the audience." Some comrades are still not accustomed to carrying forward socialist democracy and implementing the "double hundred" principle in their leadership over literary and art work. They enjoy old things such as the feudal patriarchal system, the practice of "what I say goes" and determining the destiny of a work by personal likes and dislikes. Actually, art should be approved by the people. Ranks are not necessarily in proportion to the level of mastery of truth. Therefore, it is not surprising to find a leader's opinion wrong. Did we not have a large number of good works erroneously regarded as "great poisonous weeds"? This was perhaps the result of good intentions to safeguard the socialist cause at that time. However,

it had grave consequences. Later the central government stipulated that no party or government leaders at any levels are allowed to arbitrarily level unjustified political charges against any literary and art work or its author. Whoever repeats such practice, which has been proved to be very harmful, will be rejected by the party and people.

We should not force people to follow erroneous ideas by administrative methods. Nor should we force writers to follow us even if our ideas are correct. Comrade Chen Yi said: "We hope that the writers will not reject others' opinions. They should listen to differing opinions, both favorable and unfavorable ones. After that the writers should decide by themselves how and whether they will correct their mistakes. There should be no compulsion." Comrade Chen Yi was able to put forward such correct ideas because he himself had democratic ideas and because he himself was a poet who knew the law of literary and art creation and the joys and pains of writing. To work out the plot of a literary work or an artistic image, a writer needs a long period of time to accumulate his experience in daily life. He can neither change his works to conform to a certain speech nor express other people's opinions in his own works within a short time. Those who regard this as showing no respect for the leaders are ignorant of the basic law of creation of literary and art works.

There has been excessive interference by administrative means. This has much to do with the ossification and semiossification of some leaders' minds, which have not been emancipated. Some comrades resent the party's line and principles formulated during the third plenary session and have an erroneous understanding of the excellent situation of literature and art. A very few people oppose, or even interfere with, literary and art works which reveal unhealthy tendencies because these works may also reveal their own shortcomings. Therefore, party committees at all levels should help these comrades to correct their ideological line and to work according to party policies.

The goal of improving party leadership is to strengthen it. Party leaders must always treat literary and art workers as equals. They must also clearly express what they advocate and what they oppose. The present revolutionary situation demands that literature and art keep pace with the progress of the times, reflect life, new struggles and progressive things and produce more works that inspire the people. This means that writers and artists should equip themselves with Marxism-Leninism-Mao Zedong Thought, go deep into real life and maintain close ties with the masses, who are giving full play to their abilities in the new struggles. Party leaders should do thoroughgoing and painstaking ideological work, help the writers and artists overcome their practical difficulties, create favorable conditions for them and help them consciously work hard in the correct direction.

Comradely, reasonable and realistic criticism which allows counter criticism is not contradictory to but necessary and indispensable in strengthening and improving party leadership. Without criticism there will be no progress. If we allow erroneous things to spread unchecked or find support among the people, instead of criticizing them and conducting ideological work, because we are afraid to be accused of using big sticks, we are actually abandoning party leadership over literature and art. This will also hinder the development of literature and art.

CSO: 4004

PERSEVERE IN GOING DEEP INTO THE MILITANT LIFE OF THE MASSES

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 41-42

[Article by Zhou Keqin [0719 0344 5367]]

[Text] Since the publication of the novel entitled "Xu Mao and His Daughters," many readers have written letters asking me to tell them about my writing experience. Therefore, I am going to discuss my experience in plunging into the thick of life. In my twenties I published a short story (a feature story, to be more specific) which received favorable comments. From this I got the wrong impression: writing a novel would not be difficult, but rather would be quite easy. However, the readers and I found that the novels I wrote later were unsatisfactory. I then entered the "depression period" of my writing career.

This period did not last long. A leading comrade in the literary and art circles once talked to me and sincerely pointed out that my first literary work was satisfactory because I had spent much time in accumulating experiences in daily life and in emotional preparation before I wrote it. As I was young and inexperienced, I had to use all I had accumulated for my first book. My second and third stories were nothing but repetitions of the first one, both in ideology and images. I accepted this comrade's advice and earnestly studied "Talks at the Yanan Forum on Literature and Art." I then acquired some understanding of the issues of "standpoint," "attitude" and "serving the people." In addition, I got the deep impression that we should always, unconditionally and wholeheartedly live among the masses.

When I returned to my hometown to do farm work, I lived among the simple and hardworking peasants. They loved and cared for me. Later I became a cadre in the production team, production brigade, commune and district. For 20 years I kept pace with the strides of socialist construction in this area. The road was sometimes smooth and at other times rough and bumpy. This way of life impressed me deeply. I often met with difficulties and sometimes became very upset. However, due to the influence of the peasants' spiritual strength and my faith in the party and in communism, I never lost confidence. What I saw and sensed was the indomitable spirit of the peasants, even in those years when the four evils were running amuck and throwing the state into disorder. During those years the peasants were engaged in arduous manual labor from morning to night, sometimes even suffering from hunger. Yet they managed to supply grain to the state according to the purchase quotas. By doing manual work without complaining they supported our country's socialist construction and helped the people in the cities

and the countryside to overcome difficult days. In the face of such a life and struggle, I could not restrain myself from describing them. During this period I acquired some knowledge of agricultural production techniques and agricultural management and administration. I also read books and published some short stories. However, my greatest achievement was my ideological and emotional change. I gradually changed from an intellectual to a farmer who knew that "every grain is the product of toiling," then from a farmer to a Communist Party member who knew some revolutionary truth.

The road of my life has been my literature. Although it has been difficult and long, I acquired much knowledge in a more profound and solid way. I have learned that the deeper I go into life the more experiences I can accumulate and the more sentiments I can cultivate. When we have come to "understand and know the people well," we will not find it difficult to depict their appearances, characteristics, language and manner and to know their family backgrounds, social relations, economic situation and family affairs. However, this is not enough. The most important thing is to examine the peasants' feelings. What are peasants thinking about? What are they pursuing? What are their joys...? We have to observe these things carefully, share their feelings, both their happiness and unhappiness and their anxiety and frustration, and thus fight with them for our common goal.... All this cannot be learned by taking notes during interviews.

Several young writers in their "depression period" recently asked me how I wrote "Xu Mao and His Daughters." They wanted to know the secret of my writing. In fact, I have no secret. I have only lived and fought together with the basic-level cadres and masses and empathized with their thinking and sentiments in order to keep pace with the times and the peasants.

Having lived in the countryside and strived for a common ideal with the peasants for a long time, I feel that the good-natured peasants have good moral character and lofty ideals. Such virtues as diligence, kindness, wisdom, patience, strong character and self-control are common among the peasants. These virtues have been deeply rooted in the soil of history, nurtured by the party and cleansed by the rain. A new spirit is emerging from them--a spirit that combines the traditional virtues with communist morality. These virtuous people are always at my side. I love them, and we are pursuing the same ideal. I have also experienced, despite the differences in degree and forms, the sufferings, frustration, thoughts and struggles which persons like the 4th daughter, Jin Dongshui, Yan Shaochun, Wu Changquan, the 9th daughter and Nong Qing experienced during the 10 years of calamity. The life of the masses is the only source of literary creation. This is very true. When I lived among the masses I did not have to collect materials for writing by visiting people and recording what they said. Nor did I have to ask people to provide me with the plot. The characters automatically emerged in my mind. The beauty of these good-natured peasants inspired me to write. There were many people like Xu Mao. At first they seemed apathetic and selfish. Some of them even openly condemned the "higher authorities." However, the peasants did not do this in the early stage of land reform and cooperative transformation. Why? Did people become bad tempered when they grew old? When I had lived with them for a period of time I began to discover a lamentable fact: our policy had been deviated and we had infringed upon their interests. It was sad to discover this. However, facts were facts. Perhaps we did not notice this problem and the



changes that had taken place among the peasants. However, these changes had a great bearing on our society. Should we not seriously reexamine our policies? Only when we have improved party leadership over the peasants can we once again inspire their enthusiasm. It was thus that I portrayed the character of Xu Mao. Without having lived in the countryside for 20 years I could never have done so.

A writer's experience comes from his experiences in the objective world and is an indispensable requirement of writing. Of course, books based on such experiences are better than those based on gossip and fabrication. However, it is wrong to think that an individual's experiences reflect the experiences of all people and the spirit of the times. An individual's experiences cannot represent the masses' experiences. An individual's life is negligible compared with that of the entire society, which has undergone profound changes. Some comrades told me: "You have had rich experience in the countryside and have now become a professional writer. You can stay at home and write some novels." I did not take this advice, because I did not want to put myself in that position. Sometimes when I left the countryside to attend a meeting in the city for 10-15 days I would begin to feel uneasy. As soon as I returned to the rural areas I was back in my element. As life develops very quickly, we should retest and review our past experiences in real life, so that our works will reflect the masses and their lives in a more historical and realistic way, keep pace with the times, put forth the masses' demands, wishes, joys and sorrows and therefore be full of vitality.

When we go deep into life we should adopt a correct attitude toward ourselves and the masses. A writer should always be one of the masses. He should never be superior to them. When the people find that a writer is privileged they will avoid him. His source of writing will then be exhausted. In the end he will be unable to achieve his objective and will have to pack up and leave.

CSO: 4004

## THE DEVELOPMENT OF IMPERIALISM'S EXPORT OF CAPITAL AFTER WORLD WAR II

Beijing RED FLAG in Chinese No 18, 16 Sep 80 pp 43-48

[Article by Lu Wei [4151 7279]]

[Text] The export of capital is a major feature of imperialism, and Lenin made an explicit analysis of it 60 years ago. Over the past 60 years, particularly since World War II, imperialism's export of capital has made new progress following the development of the imperialist economy and changes in the international situation. To apply basic Leninist theory in studying this new development is highly necessary for understanding modern imperialism and current trends of world economic development.

### (I)

The history of exporting capital dates back to before the period of capitalist monopoly, but its size and role at that time were still limited.

During the stage of monopoly capitalism, the concentration of production and capital greatly speeded up. The contradiction between the rapid development of production and limited domestic markets became more and more acute, and because of monopolies it became more difficult to make new investments and to transfer capital among departments. As a result, the profitable domestic investment market became narrow. Thus, in order to make great profits, huge amounts of "surplus capital" were exported to other countries, particularly to economically backward countries. Thus, the export of capital became an important feature of the monopoly capitalist stage.

Imperialism's export of capital further developed after the war.

First, the amount and pace of exported capital were unprecedented in the history of capitalism. Statistics show that in 1938 the total capital exported by major capitalist countries amounted to more than \$50 billion. By 1979 the total of various forms of capital exported had increased to over \$600 billion. During the 24 years before the war (1914-1938) the total capital exported only increased by 10-20 percent; but during the 34 years from 1945 to 1979 it increased by more than 4 times, without taking into account the inflation factor.

Second, the trend of the development and the structure of capital exported also changed tremendously. In the past, two-thirds of the capital exported was

invested in colonialist, semicolonialist and satellite countries. After the war, three-quarters was invested in advanced capitalist countries, while the other quarter was exported to developing countries and regions. In the structure of capital exported, the major capital exporting countries in the past directly invested in colonialist, semicolonialist and satellite countries, but the capital exported to industrialized countries in Europe took the form of loans. Since the war, private direct investments in developing countries have continued to expand, while various forms of capital export loans have rapidly increased. Including state capital exported, the amount of loans given to developing countries exceeds direct investments. But among advanced countries the ratio of capital exported, which has primarily taken the form of production capital exports, has developed rapidly, particularly direct investments. Investments in the manufacturing industry have become the main form of private direct investment in industrialized countries. Generally speaking, the situation in which imperialist capital exported was traditionally invested in agriculture, mining and public utility undertakings has also changed. The total volume of investments in the manufacturing industry has exceeded that in oil and extraction industries; investments in the money market, commerce and insurance have also rapidly increased. Of course, in some countries export capital is still mainly invested in oil and mining industries.

Third, multinational companies have become the pillar of private export capital. The number of such companies in major capitalist countries was already nearing 10,000 in 1973, with their subsidiaries amounting to around 40,000. The net production value of these companies made up about one-fifth of the total gross national product of the entire capitalist world, surpassing the total export value of all the advanced capitalist countries. With strong economic power, multinational companies have basically monopolized private direct investments in advanced capitalist countries. Most capital export is undertaken by such major companies, even though they are small in number. For example, 250-300 U.S. companies, 165 British companies and 82 German companies make up about 70-80 percent of the private direct investments of their countries. Multinational banks and international monetary institutions have monopolized the international capital credit market.

Fourth, the export of state capital has very important significance. The amount of state capital exported was very limited before the war, and such exports did not occupy an important position in the capital export sector. But since the war, exports of state capital have developed rapidly under the cloak of "aid." For quite a long period after the war, the amount of exported state capital surpassed that of exported private capital. After the mid-1970's, the Western industrialized countries were facing deeper economic difficulties, while international income and expenditures were not in a good state. As a result, exports of state capital declined but still retained the leading position in exported capital of capitalist countries. The state, which represents the monopoly bourgeoisie, has become the most important organ and supporter of imperialist exported capital since the war. As exported state capital is enormous in amount, with concentrated investment objectives carried out under the cloak of "aid" and "cooperation," such exports have played a vital role in defending the capitalist system and finding ways for exporting private capital.

Fifth, the United States has become the biggest capital exporting country since the war. Up to the eve of the war in 1938, Britain had the greatest amount of capital exported, but since then the United States has replaced Britain in that position. In the early postwar years, the United States began to monopolize capital exports; even industrially advanced countries in Western Europe could not but depend on U.S. aid. U.S. monopoly capital infiltrated the colonialist spheres of Britain, France and Japan. With the realization of economic recovery in Western Europe and the rehabilitation of the defeated countries of Japan and West Germany, the relative economic strength of major capitalist countries constantly changed. The ratio of the total capital exports of those countries also constantly changed. In the 1960's the United States still accounted for more than 50 percent of the total private direct investments of the capitalist world. This figure gradually dropped to over 40 percent in the 1970's. Britain ranked second, followed by West Germany and Japan. Up to now the United States remains the biggest capital exporter of the capitalist world.

## (II)

The new development of export capital after the war was caused primarily by a series of major changes between the productive forces and the relations of production in imperialist countries. Such changes were expressed mainly in the upsurge of technical revolution and the highly developed state monopoly capitalism. As a result, the process of production and the internationalization of capital constantly changed, control by international monopoly capital was strengthened and competition in the international market became more acute. At the same time, changes in the international political situation after the war also had a great effect on the development of export capital.

The rapid development of the internationalization of production after the war provided a material base for the rapid growth of export capital, while the internationalization of production objectively met the development needs of capitalist productivity. Under the influence of the technical revolution, production developed rapidly during the 1950's and 1960's. This situation demanded that production be rapidly expanded and the distribution of labor carried out in a meticulous way. Specialization in production and production coordination developed rapidly both at home and abroad. Thus, there emerged the highest stage of capitalist socialization in production. The internationalization of production was followed by the internationalization of capital to further develop capital export. The most rapidly developed production sector in internationalized production was the manufacturing industry, particularly the newly emerging industrial departments. With highly organic capital structures, such industries used the most advanced technology and carried out their production in advanced countries with strong technical power, advanced financial markets and huge markets for their products, while in developing countries the production was carried out with highly developed capitalism. As a result, huge amounts of capital were exported to developing countries and concentratedly invested in the manufacturing industry.

The export of capital has been able to develop rapidly based on the premise of the concentration and monopoly of capital. Because of the rapid development of capitalist production and the state's support for monopoly organizations, from the second half of the 1950's to the early 1970's an upsurge of mergers and

acquisitions of enterprises and banks emerged to quicken capital accumulation. After the war the financial system also began to accumulate dispersed capital and find other sources for export capital. Monopoly capital in various countries was accumulated to such an extent that, although the production sector of the countries concerned was constantly expanded and the national economy grew rapidly for quite a long period after the war, such huge amounts of capital still failed to find a more profitable investment market. Therefore, with the expansion of the accumulation of monopoly capital, the competition for investment markets was becoming more and more sharp. Since the second half of the 1970's the development of expanded capitalist reproduction has begun to slow, while the demand for domestic investments has begun to weaken. As a result, more capital has had to be exported.

The extensive establishment and rapid development of multinational companies after the war accelerated capital exports. With strong financial and material power, such companies monopolized the most advanced technology and were able to estimate the world's economic situation in aspects such as production, sales, technology, sources of raw materials and accumulation of capital to determine their global strategy and the size and direction of their profitable investments. They were able to considerably increase investments abroad and set up different production links in various countries to save production costs and make maximum profits. Their development promoted capital exports and had a vital influence in deciding the location and direction of their capital.

Acute competition in the international market has stimulated capital exports. As the contradiction between the capitalist expansion of production and the demands of laborers with spending capability has become more acute, and as the unbalanced development of the capitalist economy has sharpened, competition in the international market has become more and more acute since the war. In order to overcome tariff barriers and occupy the markets of other countries, monopoly organizations have directly set up factories in consuming areas. That is why, following the founding of the Common Market in 1958, the amount of U.S. private and direct investments increased tremendously. U.S. investments in its six member countries increased 1.6 times from 1950 to 1957 and 11.9 times from 1957 to 1974.

State monopoly capitalism further developed after the war to widely interfere in domestic economic activities and step up its interference in the economic dealings of other countries. As mentioned above, state monopoly capital exports have become an important part of imperialist capital exports. Imperialist countries have also encouraged private capital exports and defended their investment markets. For example, they have provided information to their private monopoly capital, supplied loans, acted as guarantors for investments and signed agreements with the governments importing capital guaranteeing investments and making foreign investments tax free. Such measures have created conditions and made things convenient for private capital exports. As a result, private capital exports have dramatically increased.

The upsurge of national independence movements also had a tremendous effect on capital exports. Such movements made it no longer possible to directly exercise colonialist control, while military occupations lost the support of the people. Hence, economic purchases became a major form. That is why state capital exports

increased tremendously after the war. In addition, because the political situation in some developing countries and regions was unstable and because of nationalization measures, part of the private capital was transferred to advanced countries.

### (III)

Capital exports have a dual role in the economic development of the exporting countries.

First, capital exports are an important factor for promoting the growth of the imperialist economy. This can be seen from the rise in capital accumulation, increases in cheap raw materials and fuel and the expansion of markets.

Western industrialized countries made tremendous profits from abroad through capital exports to speed up their capital accumulation and strengthen the economic power of their monopoly capital. The average annual profit of U.S. private direct investments was 14.4 percent from 1970 to 1976; some were as high as 20 percent. The average British profit from foreign investments from 1970 to 1975 was 15.7 percent, much higher than the profits from domestic investments and higher than bank interest rates in Western countries. From 1950 to 1976 the profits of U.S. private foreign investments were 1.68 times the investment volume; the figure for Britain from 1970 to 1975 was 1.95 times. Most income of multinational companies comes from abroad. In 1973 more than 50 percent of the total income of the 25 largest U.S. multinational companies came from other countries. Part of such income was reinvested in the foreign countries concerned, while the rest was remitted home.

Western monopoly capital also controls raw materials and fuel resources through capital exports. After the war the advanced capitalist countries headed by the United States plundered enormous amounts of cheap oil and important industrial raw materials from abroad, particularly from developing countries. Such materials guaranteed the rapid development of the capitalist economy from the 1950's to the early 1970's.

Capital exports are a way to encourage commodity exports. After the war, both state capital exports and private capital exports played such a role. When the governments of various countries were providing "aid," it was generally stipulated that the loans must be used to purchase commodities from the countries that provided the loans and that export credit must directly serve commodity exports. Private and direct foreign investments also promoted exports of equipment, spare parts, semifinished products and industrial raw materials. Capital exports also expanded the international markets for the commodities of the capital exporting countries to realize surplus value and stimulate the growth of their economies. This point is clearly shown in the countries that rely heavily on foreign trade, such as Japan and West Germany.

On the other hand, capital exports have also played a negative role in the economic development of the capital exporting countries. Lenin said: "To a certain extent, capital exports will cause stagnation in the development of the capital exporting countries." When the economy of capitalist countries was in its

"golden age" of development after the war, the economies of some countries and some industrial departments was nevertheless largely stagnant. The British economy wavered for quite a long period after the war, because it used excessive capital in foreign investments to affect domestic investments. The development of old U.S. industrial departments (such as the steel and textile industries) has gradually weakened because of capital exports. In pursuit of high profits abroad, U.S. monopoly capital has been eager in investing abroad, thus slowing down the renewal of the equipment of some domestic industrial departments (one-quarter of U.S. steel companies are using outdated equipment) and the use of new technology. As a result, the growth of labor productivity slowed down, and the competitive position of products apparently weakened, seriously affecting the development of such departments.

Capital exports also made the imperialist economy more dependent on other countries. As mentioned above, most of the profits of many multinational companies come from overseas. The ratio of the primary products imported by the United States in 1959 made up 9.3 percent of the domestic consumption volume, which increased to 17.5 percent in 1975. The figures for six West European countries were, respectively, 28 and 42.6 percent; for Britain, 41.8 and 60.7 percent; and for Japan, 23.8 and 51.2 percent, all increasing by big margins. To a great extent the rapid economic development of the major imperialist countries after the war depended primarily on the supply of low-priced oil from other countries. And once an oil crisis breaks out, the development of their economies is seriously affected.

The parasitic and degenerate features of imperialism have been particularly expressed in the rapid decline of countries with the most powerful capital. Such a country was Britain before World War II, and so was the United States after the war. After the war the United States became the biggest capital exporting country, only to put a heavy burden on its own back. It was because of massive capital exports that the U.S. dollar rapidly spread to every corner of the world. In order to defend the economic interest of U.S. monopoly capital throughout the world, the U.S. Government has had to pursue a global strategy. And for this purpose it has had to increase military expenditures at home and abroad and consume massive manpower, finances and material. This has been the reason for the lower growth and increased difficulties of the U.S. economy.

#### (IV)

The new development of capital exports after the war has deeply affected international economic and political relations.

As most capital exports after the war were carried out among advanced countries and such exports were closely related to the internationalization of production, those countries have become more interdependent and integrated economically; they have infiltrated each other with their capital, which has become extremely intertwined. The contradictions and struggles among the monopoly capital of the advanced countries has become more acute and complicated. But, on the other hand, because of their common interest and interdependence, their unified trend has become apparent, and the situation is different from that existing before the war.

In the early postwar years the United States gave enormous "aid" to Western Europe and Japan through the "Marshall Plan" and the so-called "relief for occupied regions and aid funds for economic rehabilitation." In addition, enormous amounts of U.S. private capital were also exported. As a result, to a certain extent the United States controlled those countries economically and politically. But with their economy rehabilitated and developed, these countries tried to get rid of U.S. control. The French, British and Japanese governments intervened when multinational companies took over local enterprises. The EEC played an important role in competing with U.S. capital and in defending the development of private capital of its member countries. In the 1960's a number of private enterprises in Europe were merged to strengthen their power against the multinational companies with U.S. capital. Furthermore, Western European countries and Japan were also active in exporting capital to the United States. With the rapid growth of such investments, the total foreign capital in the United States has already reached \$40 billion, three-quarters of which is Western European and Japanese capital. The wars of investments, tariff barriers, trade and currency caused by capital exports are becoming more acute among advanced countries.

The unity of advanced countries appeared in Western Europe in the early postwar years. And the forms of unity developed from "joint control of coal and steel" to the establishment of the EEC. The contents of this unity include the abolition of tariff barriers among member countries, the unification of exchange rates and agricultural policy, the establishment of the European monetary system, collectively signed agreements with some developing countries and the further political development of establishing the Council of Europe. At the same time, the trend toward unity between the United States and other developed countries also increased. The enormous U.S. aid in the early postwar years objectively promoted the rapid economic recovery of the European countries and Japan. The growth of the economic power of Western European countries and the formation of their dependent relations with the United States became a foundation for the establishment and consolidation of the NATO military alliance. But over the past few years the United States and other developed countries have met with a series of serious economic problems such as inflation, the energy crisis, upheavals of the international monetary market and an economic recession. As the capital of each country has become a part of the domestic economy of other countries, the economic situation of a country affects the interests of the monopoly capital of other countries to some extent. Therefore, the governments of various countries representing the monopoly bourgeoisie often hold meetings to regulate the economy. Over the past 5 years, annual summit conferences of seven countries have been held as an important measure in this respect. Of course, such difficult economic problems cannot be basically resolved merely by several meetings. But such forms of coordination show that, while they are struggling against each other, the advanced capitalist countries cannot but resort to the method of unity and coordination to regulate and ease their contradictions.

The effect of export capital on the relations between the developed and the developing countries is different from what it was before the war. The war was followed by the political independence of the former colonies and semicolonies. In this situation, imperialist monopoly capital relied primarily on economic expansion and infiltration through various methods to export its capital to the developing countries so as to continue to obtain raw materials and fuel, exploit



cheap labor, shift pollution to the developing countries and establish and expand its spheres of influence. On the other hand, the developing countries, which needed capital and had technical problems, also had to import and make use of foreign capital and technology. Therefore, the governments of many developing countries have, through various tax and credit policies, encouraged foreign capital to invest in departments and sectors of their national economies so that they can selectively import advanced technology. But in general these developing countries restricted the scope of investments and the degree of exploitation by foreign capital. In addition, these governments may resort to legal and economic actions against foreign enterprises that violate relevant laws, so these enterprises cannot do as they please. Therefore, foreign monopoly capital has two roles in developing the economies of the developing countries.

On the one hand, the developing countries can utilize and restrict the capital exported by the developed countries to promote the growth of their economies, because to a certain extent the imported foreign capital can make up for the shortage of construction funds of the developing countries. For example, between 1972 and 1977, foreign capital made up three-quarters of the net investments of Singapore. In Brazil, which has a relatively high domestic accumulation rate, foreign capital made up 10-15 percent of development investments in 1977. The import of foreign capital is usually coupled with imports of advanced technology that promotes the development of new industrial departments. For example, Singapore was primarily a reexporting country in the past, but through imports of enormous amounts of foreign capital the ratio of the manufacturing industry made up 28 percent of the national economy in 1978 as against 7 percent in 1960. The country is now producing TV sets, oil-drilling equipment, ships and precision machinery. Most new industrial departments in Brazil such as the steel, car, shipbuilding, petrochemical, electronics and aircraft industries have been developed through the introduction of advanced technology and equipment by foreign capital. Many developing countries have encouraged foreign capital to invest in their export departments to strengthen the competitive position of their export commodities and increase the volume of exports. To some extent, imports of foreign capital have also provided more employment opportunities to the developing countries.

But on the other hand, imports of foreign capital have also had a negative effect on the national economies of the developing countries, because the basic purpose of advanced Western countries in exporting capital is to exploit and control the developing countries. Although economic and administrative measures taken by the developing countries have helped reduce and limit this effect, it cannot be completely eradicated. The primary expression of this negative role is the plundering of staggering profits from the developing countries by Western monopoly capital. The profit rate achieved by the United States from its investments in the developing countries is often 80-90 percent higher than that in advanced countries and in some years has exceeded 100 percent. In some developing countries with relatively more foreign capital, the profits remitted home by advanced countries have surpassed the volume of their capital exported to those countries in the same year. In addition, through the export of capital, Western monopoly capital has continued to control some countries and departments to varying degrees. Generally, the countries with particularly weak economic foundations find it difficult to resist the control of foreign capital, while their new

departments with advanced technology are under the tight control of foreign capital. Through production investments and loans, Western monopoly capital has also plundered large amounts of industrial raw materials and fuel--particularly various strategic resources almost entirely lacking in advanced countries--from the developing countries, where they have also dumped their industrial products. Enormous amounts of imported foreign capital and the deterioration of international trade conditions have placed the developing countries heavily in debt, which has currently reached as high as \$366 billion. The debts owed by some countries have already exceeded their ability to repay. Thus, when they pay off their debts they simultaneously go into debt again. Imperialist countries often take advantage of the economic difficulties of the developing countries to interfere financially and politically or to control such countries politically through "aid" and "cooperation." Some big multinational companies have become states within states in the developing countries, directly influencing the policies of the countries in which they are situated. The exports of capital have also widened the gap between poor and rich within the developing countries, shifted serious pollution to those countries and expanded the influence of Western decadent "civilization," bringing more socioeconomic problems to the developing countries.

In short, the new development of imperialist capital export since the war reflects the deepening of the basic contradictions in imperialism. Such a development has also deepened the contradictions among monopoly organizations of the imperialist countries and between imperialist countries and developing countries, making capitalist contradictions even more complicated. Such a new development has had an important influence on the world's economic and political development. Hence, it is necessary for us to analyze and study the changes in this new development for what they are.

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## CADRES MUST FOCUS ON THE FOUR MODERNIZATIONS IN THEIR STUDIES

Beijing RED FLAG in Chinese No 18, 16 Sep 80 p 49

[Letter from reader Li Zhengsu [2621 2973 0582]]

[Text] In his speech at the meeting in celebration of the 30th anniversary of the founding of the PRC, Comrade Ye Jianying said: "Our cadres, and particularly the leading cadres at all levels, must strive to acquire the necessary scientific knowledge and skills. It is impossible to give competent leadership to modernization efforts if one does not study hard and acquire scientific knowledge." Since the party's work focus has been shifted to the modernization, there has been an urgent need to create an atmosphere of study. At present some cadres lack knowledge of modern science and technology. Thus, they hinder the progress of the four modernizations. To help cadres, particularly leading cadres, to rapidly adapt to the new situation and to work in accordance with the laws of science is an urgent problem of strategic significance.

What should be done to help cadres study? I suggest that the departments concerned carefully study this problem. Cadres should proceed from reality in their studies and focus their attention on the organization, leadership and scientific management of the four modernizations. First, we should focus on the popularization of the knowledge of natural dialectics, which will help us acquire an elementary understanding of the progress, development, structure and laws of modern science and technology and master the methodology of science. Second, we should compile an "introduction to science and technology" which will be easy to read. This book should help cadres understand that to assume leadership over large-scale modernized production they must master the laws of nature. They must understand and transform nature according to its original features in order to achieve their objectives and win victory in their struggle. Third, we should compile more books on the management of various trades and professions for popular circulation. Fourth, we should compile books on practical linguistics and logic for self-study in order to raise the academic level and writing ability of cadres. Fifth, we should edit and publish books on applied mathematics, such as "optimum seeking method," "operational research," "statistics" and "principles and application of electronic computers." We should also give some guidance talks to help cadres acquire some basic mathematical knowledge in scientific management. Sixth, we should use the current situation to compile books on socialist politics and economics to help cadres master socialist economic law at the present stage. Seventh, cadres should learn some technical terms in foreign languages if possible.

Eighth, we should compile books on the fundamentals of some specific professions to suit the needs of various trades and professions. For most cadres the question is how and what they should learn, rather than whether they should learn. Therefore, I hope the departments concerned will rapidly provide the cadres with materials to study. Otherwise the general calls will be fruitless.

To build a contingent of cadres who firmly follow the socialist road and possess professional knowledge and skills is a prerequisite for realizing the four modernizations. Of course, leading cadres should study politics and Marxism-Leninism-Mao Zedong Thought. They should also study their professional areas and acquire some professional knowledge. Both leading cadres and ordinary cadres should pay attention to the demands of the four modernizations in their studies and conduct their studies in a planned way with emphasis on the right points.

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HERDING SHEEP BACK TO FOLD

Beijing RED FLAG in Chinese No 18, 16 Sep 80 outside back cover

[Woodcut by Tan Quanshu [6223 5425 2579]]



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END



